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HOW IT ALL FITS TOGETHER

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A Novice's
Introduction to the Game of Life
By LEONARD ALSTON, Litt.D.



1920

LONDON AND TORONTO

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HOW IT ALL FITS TOGETHER

CHAPTER I

AN APOLOGY TO SUNDRY READERS

IT is with no little trepidation that I venture to launch this frail barque upon the stormy seas of public criticism.

The cargo comprises nothing new. All that it contains has been handled, not once but many times, by writers of distinction and by scientific thinkers with whom I have no thought of setting myself in rivalry. Usually, however, the products of their workshops have appeared in the shape of ponderous tomes, filled through and through with technicalities of phrasing and illustrated by amazing diagrams which do not seem, to the busy everyday reader, to enliven the subject matter, or indeed to serve any useful end. The professional student realises the great value, for him, of the seemingly pedantic phraseology and all the accompanying technical paraphernalia. He knows that by their aid *he*, at least, can walk with surer tread through the intricate mazes of that entralling "study of mankind in the ordinary business of life,"¹ which I propose, for the benefit of another type of reader, here to handle afresh. For not many of us have the time, or the courage, to master the technicalities in which economic literature abounds; and so most of us

¹ Professor Marshall's definition of Economics.

overlook, or leave unread, the fascinating volumes that pour forth perennially to satisfy the Gargantuan appetites of our ever-thirsty professional students.

But though I find myself atremble at every fresh period of my voyage, as I tack back and forth from paragraph to paragraph on my path to my goal, never knowing from behind which rocky headland may appear of a sudden the black flag, the skull and cross-bones of General Criticism ; yet of the professional student, sailing under the recognised flag of the regular forces, I have no special fear. I trust that in my book he will find nothing but what he will feel to be but old familiar truisms, stripped indeed of their academic garb, but still merely the old identical ideas, clad, for the nonce, in the sober dress of everyday citizens, in place of the professorial cap and gown.

“ I talk of common things—
Words of the wharf and the market-place
And the ware the merchant brings.”

And to the best of my belief (O Economist) I carry no contraband of war.

The general reader will not, I know, quarrel with me on the score of the absence of difficult technicalities. But I have fears that I shall irritate *him* in another way.

I am attempting to set forth (not as a new discovery of mine own) how the parts of the business world, in which we all live and move and have our being, fit in together. But I must set it forth in my own way ; and my own way is to attempt to simplify everything down so that it can be expressed, if not in “ words of one syllable,” at least in what may be described as “ ideas of one syllable.” All my readers, however, are necessarily taking part

"in the ordinary business of life," and each therefore will of necessity know some portion or other of our subject far better than the writer can know it—because he, the reader, is living it—and this may well bring it about that my clumsy efforts to re-state those facts of life that he knows best should appear to him either as a childish waste of ink and time, or else (what I should dread still more) as a humiliating attempt, on the part of one who imagines himself to be dwelling on lofty mountain-heights of philosophic thought, to talk down to the low levels of the common mind. Lest the succeeding chapters should stir any resentment of this type, I wish to make confession first, that this is the only way in which I can, for my own ends, think things clearly and safely out; in no other way can I make, for myself, the crooked straight and the rough places plain; unless I can analyse down my reasoning so that a school-boy should be able to follow it, I cannot feel more than a shaky half-confidence in my own conclusions. And unless we all thus simplify everything down when studying the game of life, as played in the market-place or played with in parliaments, we are always liable to ignore underlying difficulties, and so fail to perceive how such things as capital and labour, buying and selling, spending and saving really do fit in together; and when politicians or voters, journalists or philanthropists, are led to ignore such difficulties very uncomfortable results sometimes happen.

We have all heard of that ingenuous young Society lady who, when three grave scientists in her drawing-room were discussing how the new electric lighting system worked, burst into their

conversation with the impatient comment that nothing could be simpler : " You just press the button and it lights up at once." The reader who feels that this dainty damsels was as right as she felt, and the disconcerted scientists as foolish as they looked, need come with me no further. I prefer to put him ashore before we leave port.

But the business of ordinary life supplies material for endless questions that may be " answered," and are habitually " answered," as our young lady dealt with the problem of the electric light. Let us, to take a simple instance, ask ourselves how we send a few pounds sterling to a friend in South Africa (or, if the reader prefers it on a larger scale, how the capitalists of an old country like England, outraged by iniquities of democratic legislation, propose to punish labour by " sending their capital abroad "). Our young Society acquaintance will doubtless bubble over with merriment at our unpractical attitude ; " you just call in at the post office round the corner and buy a money order." Perhaps, not satisfied with this as a *complete* solution of the problem we had in mind, we proceed (in a lull of office business) to question the highly efficient clerk who sells us the order. Surely *he* will be able to solve our difficulties ; for this is the part of the game of life that he is actually playing, the portion of the ordinary business of life that he is living. If he has time, and is obliging, he may tell us a good deal about various book-entries, vouchers, and cross-communications between office and office, and feel that he has supplied us with all that a rational mortal could want. But has he answered our question ? How does the " money " really get out there ? He has, indeed, supplied us with something

AN APOLOGY TO SUNDRY READERS II

more than our young lady friend gave us ; but (after all) it amounts to little more than telling us that before we press the electric button the plumbers and plasterers have had to perform a great deal of cunningly concealed work about the walls of our room. "But then," as she might retort to him, "plumbers' work is not very interesting to watch, and I find it more convenient to go out into the country when that sort of thing is going on in the house."

And this brings us, by a natural transition, to yet another class of possible readers, who, however, are not likely to become readers of a book of this sort. They are the class of persons who object to questions about the creation and destruction of wealth being raised at all ; who feel that they will be more comfortable if such discussions are never mooted and who are inclined therefore to "vote" all such questions "bad form." Of such are likely to be the man who wishes to live somnolently on inherited wealth—how is his income of goods and services maintained ?—and the man who wishes to live pestiferously by stirring up sympathetic strikes —what groups of workers will be impoverished by the strikes ? All such are in fact first cousins of that interesting boy from the Whitechapel slums who, after his fortnight on the farm, under the auspices of the Children's Country Holiday Fund, found at least one point in which town life is the pleasanter. Here at home he could drink his milk without uneasy dreams to follow it ; "because mother always buys it in a clean shop ; out there they get it from a dirty cow."

If the reader who has come with me thus far be one who has no sympathy with the poet to whom

dividends and interest were an insoluble enigma—

“ Nor could he understand how money breeds ;
Thought it a dead thing——”

and is satisfied with learning that it breeds because he takes it to a Savings Bank and leaves it there (or buys stocks and shares with it and waits till the dividends come in), he will have, I am sure, no sympathy or patience with me. My temper and outlook are those of the puzzled botanist who dissects an acorn and spreads its slim sections under the microscope in hope of catching some glimpses, however tantalising, into the problem of how it can possibly grow into an oak within whose boughs the birds of the air will find commodious shelter ; rather than the temper and outlook of the jobbing gardener (“ a practical man, sir ! ”) who brusquely points out that it can be turned into an oak right enough if you give it the proper quantity of water and the proper quality of soil. The business community—employer, wage-earner, inventor, and investor—forms for us all a commodious shelter from the winds of poverty, more majestic and more marvellous than the forest forms for the blackbird and the thrush. It is at least equally worthy of study, and equally interesting to investigate. In the spirit of the botanist considering the acorn, “ how it grows,” I propose that we should ponder the structure and the workings of the business community of which, in one way or another, we are all shareholders and fellow-members.

And if we bring ourselves to study it in this spirit, we may find that our commonplace world—street, farm and factory, bank, stock exchange, and mint and market—becomes no longer a squalid thing, but

an ever-changing scene of shifting light and colour—much as the great painter finds in sordid alleys, the smoke of factory chimneys, or the Arabian wealth of pots and pans flung haphazard among the rain-washed nettles and thistles of a roadside rubbish heap, a magic world of ever-growing wonder and delight and mystery. Or (to turn it a better way) our City of Man—the world of buying and selling, of banking and investing, of exporting and importing—is (to the trained ear) as one vast roll of never-ending orchestral music ;

. . . “ seeing the city is built
To music, therefore never built at all,
And therefore built for ever.”

There are discords, no doubt ; discords only too imperfectly masked by the masterful conquering concords of trumpet and clarion. There is suffering, perpetual suffering in our City of Man,

“ Wasted lands,
Blight and famine, plague and earthquake, roaring deeps
and fiery sands,
Clanging fights, and flaming towns, and sinking ships, and
praying hands.”

But there is suffering likewise in the forest that thrills us with its glistening dews and endless avenues of light and shade.

“ The mayfly is torn by the swallow, the sparrow speared
by the shrike,
And the whole little wood where I sit is a world of plunder
and prey.”

Yet we feel the beauty of the woodland. Let us seek, likewise, for the beauty in the Jungle of Mankind.

CHAPTER II

A BIRD'S-EYE VIEW OF THINGS IN GENERAL

Now this is the Law of the Jungle—as old and as true as the sky;

And the Wolf that shall keep it may prosper, but the Wolf that shall break it must die.

As the creeper that girdles the tree-trunk the Law runneth forward and back,

For the strength of the Pack is the Wolf, and the strength of the Wolf is the Pack.

KIPLING.

WE all desire (though with very varying degrees of eagerness) to attain success in life. We would all fain "gather into barns." Our criteria of economic success will of course differ widely according as our social environments differ—whether the environment be one of Galilean peasants, of English trade-unionists, or of North American millionaires. It is always a relative thing. The professional man of present-day England would feel that he had indeed failed in life if his work brought him in no larger income of commodities and services than fell, let us say, to Queen Elizabeth's wealthiest subject. The lowest grade English artisan would be horrified if he could gain no more, by following out a prescribed routine of leisurely labour, than the ablest and most industrious coolie of India could hope to achieve by unremitting effort. For the greater part of all we get in life is produced by the action of the community in which

we live, creating, as an organic whole, wealth for us all. But many of those who pursue wealth unremittingly would yet prefer to be able to congratulate themselves on a moderate success won by their own "unaided efforts," than acquire control of far greater material wealth coming to them as a windfall. We should nearly all like to be able to say to ourselves that we are self-made men.

Now what is it exactly that constitutes this "success," this "getting on in the world," at which we all aim? And what precisely can we mean by "a self-made man"?

Let us, to begin with, convert ourselves in imagination into Robinson Crusoes taking up our lives afresh in the solitude of a gorgeous South Sea island. Our social environment is now a blank. "Getting on" would then seem to mean acquiring greater skill in spearing fish or trapping ground game; mastering the art of gathering coconuts from the tops of palm-trees; learning the habits of vegetable and reptile, bird and insect, thunderstorm and hurricane; discovering how to put together better and better clothing from the fibres of shrubs and trees, to make a safer and more comfortable hut in which to shelter at night, and to construct better boats or tools with which to work. And so, the stronger and more vigorous we were, the quicker with our hands and feet, the more intelligent in our amateur botanising and zoologising, the more we should "get on." We should be growing richer, though we had no money, and nothing to buy with it if we had money.¹

¹ I omit, as irrelevant for our immediate purpose, some considerations of far deeper significance than most of these: the mastery of the laws of health—not merely as a means

But when we talk of "getting on" we usually mean getting on *in the world*. Now what does this imply that is different from success in the sense in which Robinson Crusoe achieves success?

No doubt we nearly all require, as we work our passage through the workaday world of to-day, to achieve (as essential conditions of progress) greater and greater facility in handling the same sort of problems—matters of food and clothing and housing, of recreation, and health—as those by which Crusoe was confronted. But though such matters still retain their fundamental importance in our lives, we notice that, during the working

to the most effective acquisition of goods, but as the chief end for which goods would be desired; the mastery of the laws of the working of one's own mind, as a means to the fuller enjoyment of the senses—sight and sound and taste and so forth—whose clamant needs our activities are designed to meet; for the well-trained mind can, of course, gather a harvest of richer satisfactions from the superficially trivial and commonplace than the ill-trained mind can extract from the most elaborate apparatus of civilisation. Moreover, individual wealth is a doubly relative thing. It is not merely (as pointed out above) a thing to be measured by comparison with the wealth of a social environment—it needs also to be brought into comparison with the individual's own ambitions and desires. And so we frequently meet with the paradox of a man finding himself continually worse off as he grows richer. After jogging along contentedly on two hundred a year, he finds himself pinched with three hundred pounds and an enlarged programme of expenditure. At five hundred it becomes a perpetual strain to make ends meet. And if he has the misfortune to see his income expand into four figures, the struggle to keep up appearances may, and often does, drive him into desperate courses that bring red ruin in their train. ("When we look up we have not enough; when we look down we have more than enough."—*Ancient Japanese Proverb.*)

hours we spend in shop or factory or on the farm, it is mostly now with the making of *other people's* clothing or food or enjoyments that we find ourselves kept busy. "Getting on well" is seldom now conceived as the acquisition of greater facilities and powers in making or doing things for ourselves, even though we may be spending part of our time mending the rents in our own garments or growing vegetables in our own garden. "Getting on well" means, rather, learning to fit in well with other people at tasks that will satisfy the wants of yet other people of whose existence we have only hearsay knowledge. Only in this way—whether our daily tasks be manual or mental, skilled or unskilled, whether we wish to succeed as inventors or as speculative investors, whether we serve the community as doctors or circus-riders, professional cricketers or commercial travellers, as judges of the supreme court or as people who make the pips to put into the raspberry jam—only in this way can our daily need for daily bread and butter, warmth and shelter, health and fun be reasonably satisfied.

The boy who leaves school to serve in a shop and gets from the shopkeeper the means wherewith to purchase elsewhere the longed-for products of other men's activities, gets them because he fits in with the shopkeeper in the amusing but difficult task of satisfying the whims and caprices of yet other people—the customers who enter the shop, purse in hand, professedly in order to buy. The boy who has his name entered on the pay-sheet of a factory is set to perform some simple task over and over and over again—a task that would be quite grotesquely useless if done by itself, and which,

therefore (through his ignorance of the Why? and Whence? and Whither? of it all) remains inhumanly devoid of inspiration, as deadening to all his starving faculties and his fingers itching for healthy mischief as the task of Sisyphus among the dead ("Up a high hill he heaves a huge round stone" that forever and forever topples over and rattles down again)—the turning of an iron handle, the fastening of labels on empty bottles, the opening up or nailing down of unbeauteous packing-cases. But because he is not a lonely Crusoe in a tropical solitude, but one unit among hundreds of others who are simultaneously engaged on similar but different Sisyphean tasks, what he does fits in with what they do, and so helps to turn out something of value, something that it will please people to have, something perhaps that they feel they cannot do without. And everybody's work in the factory is more valuable, more things and better things are made, because a whole regiment are working together, each making, over and over and over again, nothing but a part of a part of a part of a thing, and so learning to perform his task rapidly, easily, without mistakes or delay. Because of this, the boy who gets twenty shillings a week, for turning a wheel or tending a soulless machine in one factory, is able to buy with his (really princely)¹ wage a heterogeneous selection of the things that are being turned out by the drilled masses at work in other

¹ Far too princely in many cases; as we find if we study the problems of boy labour and the future of these lads whose "store of knowledge and discipline acquired at school will be quickly dissipated," and who "will soon become unfit either for employment or for further education." (Report of the Consultative Committee on Continuation Schools, 1909.)

factories—far more curious, fantastic, exhilarating sorts of things than any boy could possibly make, or find for himself, in the pleasantest island where all his work had to be done alone. Nor is it merely the other factory hands working beside him under the same employers, whose labour with him makes his work worth to him this weekly sum (a sum, be it remembered, of food and frolic, books and fire-works, tram-rides and football-matches, and not of uninteresting silver coins—concerning which his chief anxiety would seem to be to rid himself of them as speedily as may be—selling them here and there and everywhere for what they will fetch in the market); but we must also, and equally, take into account the regiments that built the factory, the men who invented and set up the never-to-be-too-much-protested-against machines in it, the men who hewed out from gloomy caverns the coal that keeps the machinery merrily moving, and all the men for thousands of years who have made the things by means of which other things have been made—the railways and steamships that bring the materials that other workers in other continents have been preparing (by the aid of other machinery built in yet other factories) for service in our factory—the vans that carry the goods away, and the roads over which the departing vans are driven.

The workings of modern industry resemble, in short, the circulation of the waters about our revolving planet. From the clouds the rain streams down upon the mountains; the rilllets race onwards to join together in foaming rivers; the rivers sweep down to the ocean; the sun sucks up the waters from sea to sky again; and the movement continues

in one unbroken cycle without beginning and without end. Each single industry is like the brook, gathering in the tributary rills of raw material that come from haunts of coal and iron-ore, and wool and timber : the stream flows on ; "with here and there a foamy flake,"—a strike, a lock-out—to form "a silvery waterbreak above the golden gravel," while of the materials that pass onwards to the world's markets, becoming, as finished products of the one industry, the "raw material," of further industries, we may say (without gross sacrilege against the poet, in thus giving to his lyric a more widely human application) that out again they "curve and flow to join the brimming river, for men may come and men may go,"—but this goes on for ever. And it would be impossible for it to continue on its perennial course if the products that it pours into the sea did not return by one route or another, to feed the clouds upon the mountain-peaks that feed in their turn its many sources.

Even our shipwrecked sailor must be, in similar fashion, the beneficiary of the work of all the ages. If he brought ashore with him any timber or clothing, or an axe or a knife, he has brought with him something in the making of which many myriads of workers have taken a share ; and Robinson Crusoe himself must have been fed and clothed and trained by other people's labours when he was still a child or a youth acquiring the powers with which he seeks to satisfy his own needs now that he is alone on the island. Robinson Crusoe's success, if he succeeds in life, is only *partly* the result of his own efforts ; and when in the evening of his days he rests beside the blue lagoons and watches his Man Friday performing all the tasks that he demands should be

carried out to keep him in comfort, Crusoe cannot, any more than you or I, declare himself with truth “a self-made man.”

All mankind are working together, some willingly—some in spite of themselves. Even the soldiers or brigands whose function is mainly that of destroying what other men have made, must use the weapons that thousands of men have collaborated in preparing. In other words we cannot play the game of life single-handed. The successes that any of us may score must be won in combination with the efforts of all the other players of the team, even the successes of the most thoroughly selfish type of player.

Only very gradually has the human race built up a world after this pattern. At first nearly every one must, in adult life, have made and done nearly everything he needed for himself. Each man had to know something of hunting and of cooking, of fighting for his tribe, of making clothes and weapons. But by slow degrees men learned to divide up the work that needed doing, as the work of a cricket or base-ball team is divided up among the different players. One would spend all his time in fashioning the clothes of the rest of the tribe. Another would become the medicine man of the village. Not all would be expected to serve as warriors. And so the world went on, the business of life becoming more and more split up as the centuries slipped by. But not until after the days of Watt and Stephenson—of coal and steam and modern machinery—did most men cease to produce *whole* things for use or sale—boots or nails or chairs or saddles ; and learned instead to become like soldiers in an army, carrying out orders the purpose of which it would be impossible for each to understand, though

only through compact regiments blindly obeying such orders can campaigns be won. Few manual workers now do more than make parts of parts of things we all use ; and many remain, like soldiers in a campaign, quite ignorant of the purposes towards the accomplishment of which their work in the factory serves. Yet the combined efforts of all, unconsciously collaborating,—though many of them have but the vaguest comprehension of what they are doing or why they are doing it, but merely carry out blindly, and perhaps with much grumbling, the orders they receive—enable them to live in greater comfort (and, if so they wish, with more freedom to satisfy deeper human interests, and with a wider horizon to their activities) than could ever be the case when men gave their time to the more interesting work of making *whole* things and knew why they were making them.

Nor is it only the manual worker, the street messenger, and the bank-clerk who act thus under orders. Few of those who open a bank account, play about with stocks and shares, and pursue similar “independent” lines of activity, are aware how slightly they differ from the more disciplined and more mechanically obedient units of the business army. They may not take orders from individual superiors ; but, in so far as they succeed in life, they owe their success to the promptitude and intelligence with which they obey orders of another kind. They invest, let us say, in the shares of a copper mine. That means that they are allowing their capital to remain at the disposal of the directors of a mining company, because the electrical engineers of the world are persistently ordering more of the products of the mine, to meet the orders of the masses

of mankind who are clamouring for services that can be supplied only through the medium of the electrical power that requires the use of copper in its production.

It may, in fact, without gross exaggeration, be laid down as a law of life, that we must *obey orders* if we would prosper.

But often we prosper best if we obey orders that the world has not yet dreamt of giving, and supply products that the world henceforth will insistently clamour for, and order, order, order without end,—a catching song (may be), a new drug, a novel use for rubber, a romance of a Treasure Island, a new intense thrill from a looping of the loop. Then we grow rich indeed. The world is my oyster (says the humourist); let me open it. The world is my harp (says the business adventurer); let me play upon it.

The pioneer in the race for the right to cater for the satisfaction of the world's wants—the inventor—the advertiser—must be

“ Like a poet hidden
In the light of thought,
Singing hymns unbidden,
Till the world is wrought

To sympathy with hopes and fears it heeded not.”

“ Getting on ” in the world would seem to mean, then, fitting one's self in well with other people—doing better and better such things as are needed in order that other people's work may become more useful and more valuable.

Those who get on unusually well are generally those who supply some one single kind of service better than the majority can succeed in doing it; and this may be something as intangible as an idea

of a more effective way to combine harmoniously together the faculties of numerous individual workers.

To illustrate this (and incidentally to clear our notions as to the right of the "employing class" to occupy any place in a properly managed universe) let us, in fancy, picture to ourselves an old-fashioned country, where all boots and shoes are made by hand, and each pair is made entire by a single worker. Into this old-fashioned country walks a new-fashioned man, a man with modern ideas. He watches the individual shoemakers at work, and notices how long each usually takes to begin and finish a pair of boots. He then calls them together, and offers to give regularly to each of them a little more money every week than the profit each has been making (on the average of good times and bad) when working in isolation. But he insists that they must all be willing to do exactly as he gives instructions, and to hand over to him all the boots and shoes to sell when and where he thinks best. Each of the shoemakers has been buying ten-shilling pieces of leather and turning them into thirty-shilling pairs of boots, and living on the difference between the price he paid for the leather and the price he received for the boots. After the agreement is made, their new "captain of industry" (as we may call him) arranges to buy all the leather required. He buys it in larger quantities than they had been able to do, and so can make better bargains with the leather-sellers (through saving them the wasteful trouble of handling many small orders). He gives time and thought so as to buy it at just the right times¹—when there is so much leather in their store-rooms that the leather-sellers

¹ This, by the way, is generally a socially beneficial form

are eager to get it off their hands at almost any price. He makes arrangements for the sale of all the boots in some convenient shop to which the customers may come without the trouble of finding where the single workers live. He puts up sign-boards to point the way to the shop, and to remind people whose boots are old and worn that it is pleasant to replace old boots by new. Inside the workshop where he brings together the workers, he arranges all the tasks to be done in such a way that each worker's time is used to the best advantage. One is set to do nothing but cut out pieces of leather of just the right size, while another is fitting them together in just the right way. None of the men any longer makes a whole pair of boots ; but all of them together (including the employer who has thus divided up and organised their work, as well as the men who do the cutting and the stitching, the fetching of the leather and the sending of the boots to the customers' houses) supply a much larger number of boots, and give much better service to all the people who use boots, than could be the case if each continued to work alone. And each of them, therefore, is able to get a larger reward in the form of " pay " (or, in other words, obtain more of the goods that other workers are producing elsewhere) than if he had gone on in the older fashion, working by himself single-handed.

It may well be that the " employer " who has thus brought them together and continues directing their work gains more than any of those who do of business thoughtfulness, and not a mere taking advantage of other people's necessities. (In some cases, of course, it is the latter, and is then quite rightly branded as " profiteering. ")

the manual and clerical work ; and this may lead many of the workers to believe that he is growing rich at their expense. In some cases this may be partly true. But in the more typical case that we have taken—more typical, in spite of its archaic setting—it is evident that, though (of course) the employer could not prosper without the co-operation of the paid hands, the paid hands, producing more under the new system, now earn more than they could possibly have earned for themselves, when they tried to do without the employer's help in arranging their work. In other words, the man who has supplied the *idea* of how best to make boots has supplied something more valuable, more indispensable, than the hard manual work performed by the employees. Even if the employer thoroughly enjoys his task (the task of planning, arranging, managing) and the manual workers thoroughly detest their monotonous labour, it may still be true that the employer's work makes more difference to the total output than the prolonged disagreeable efforts of a thousand hand-workers. In such a case, therefore, it is not very surprising—we are not talking here of "justice," whatever precisely "justice" may mean—if the employer sometimes receives, as his "profit," a larger share of the total gains of the business than the "wages" of several hundreds of the men he employs.

All the wealth of the world (that is, all the things we are able to use and enjoy) is the result partly of labour, and partly of thought,—of ideas, that is to say, of how best the desired goods may be produced. The two must collaborate.

Who is it, for instance, that constructed the

railways that make such a spider-web map of this country ?

The working man is likely to answer—"the navvies w'ho raised the embankments, the steelworkers who fashioned the rails, and scores of thousands of similar workers." The student of natural sciences is likely to answer—"the engineers and inventors who worked out the problems to be solved in the use of coal and steam and steel, so that rails and bridges could be constructed strong enough to carry trains, and locomotives be built capable of outpacing the speed of a galloping horse." The business man is likely to answer—"the founders of the companies who persuaded tens of thousands to subscribe from their savings the necessary funds for the payment of the workers; and the great contractors who hired the swarms of manual labourers, set them their several tasks, bargained with them about their pay, negotiated with Parliaments and land-holders for the right to buy up and use the land through which the lines now run, and watched over the whole process from beginning to end."

None of these three answers is quite true, or quite untrue. For the inventors' ideas, the capital saved by the investors to pay the labourers, the business man's managing work, and the navvies' labour, were all alike indispensable; and we cannot mark out how much of the resulting railway system is due to the inventors, the capitalists, the contractors or the labourers.

Our question in fact is very much like the question —who is responsible for the music we enjoy at an organ recital? The composer of the symphonies, the organist who manipulates the keys, the musical instrument maker, and the boy who blows the bellows

are all alike necessary if we are to enjoy our concert. But whenever a dispute arises (about wages, for instance) we notice that each party to the controversy thinks and talks of the others as being mere bellows-blowers, while he himself, he feels, is the organist and the person really responsible for the music.

I, too, as I pen these lines, find it hard not to think of myself as the "organist," solely responsible for the music, as I see around me my piles of uncorrected manuscript. Yet I can scarcely forget that I shall need, by and bye, the services of Messrs. Dent & Sons, the publishers, to supply the organ, and of Messrs. Mudie, the booksellers, to supply the concert room ; to say nothing of you, my nimble-fingered friend the compositor, whose hand races up and down from case to case, setting up the dainty type. Will you condescend to set the line if I compare *you* to the boy in the organ-loft ? (Another paper-weight, please, landlady. Your services, I see, are needed too.) Nor indeed, could even my share of the book be completed, had I not been born an indefatigable kleptomaniac of ideas left lying round in other writers' workshops ; and had I not been fortunate, too, in having many charming pupils who will never be content with my first rough attempts at explaining how each part of it fits in with every other part. Nor ought I to overlook the little group of proof readers, who are galloping with me in the hunt for misprints among the coverts between the two covers of the book. From all sides they raise alarms. Sometimes the game roused is an animal of some zoological interest (an Irish bull with five horns, or some similar monstrosity) ; at other times the creature that has been stirred up from its hiding-

place is nothing more notable than a bunny with a bobbing tail—a comma or semi-colon standing on its head, so—‘ ‘

Fundamentally also the same principles apply in the case of Robinson Crusoe. The wealth he acquires (his food and clothes, his boat and tools and hut) must be the result, partly of his manual labour, and partly of his ideas.

Let us suppose that he is getting for himself a certain quantity of a certain kind of material—wood or stone for a fence he is building—by working four hours a day. He finds that he needs for his purpose to bring in twice as much per day. He may accomplish this, no doubt, by working eight hours a day instead of four. But suppose, instead, that he sits down for a few hours and thinks out some better scheme for obtaining his material—comes to see that he can get the timber to his hut by floating it down a stream, or the stones by throwing them down from the top of a cliff, instead of dragging them hundreds of yards across the island. By some such device he may succeed in getting his double quantity of material without doing more than his previous four hours' work. In the one case he is doubling his output by doubling his manual labour; in the other he is doubling it by improving his methods, like a business man who discovers how to use his “hands” better. In all production of wealth both the hands and the brain are necessary—both the manual labour and the ideas; and when one set of men supplies the one and another set the other, each will claim a share in the total wealth produced. The manual labourer is inclined to say that *he* produces all the wealth, and that the employer is making an unjust profit out of his hands.

The employer is inclined to say that *he* is the real producer of all the wealth, and that the labourer should be grateful because the employer provides him with the means to work and advances him wages out of the future returns. But is either view more than half right?

Let us put it yet another way, and choose a yet simpler illustration from our half-forgotten school-days. Suppose the schoolmaster has set a sum to be done as home-work, and two boys sit down to work it out together. Suppose that one of them sits with his hands in his pockets and does all the reasoning and calculating, while the other uses pen and paper and writes down whatever his companion dictates. Whose work is the sum when the task is finished? The calculating had to be done and the writing had to be done; but unless one boy does both, neither boy can be said to have done the home-work or deserves marks for it. In the making of wealth (of goods to be bought and sold) it is nearly always the case that one set of men does the calculating, and another the rougher and more tedious work; and the two sets divide what we may call the marks—the pounds, shillings, and pence with which they buy the prizes of life.

The prizes most thinking people will probably agree are not distributed in the fairest way possible. But it is obvious that some division of the spoil is necessary, part going to the brain-workers and part to the hand-workers. And some understanding of the way in which this distribution works out it is essential for every thinking citizen to have. For most of the struggles in the political arena have to do, in some way or other, with problems concerning the justice of the current modes of division. At

a parliamentary election men give their votes to one party or another largely as a consequence of their views on such questions as whether trade-unions are trying to win unfair advantages over the employers, or employers to maintain unfair advantages over the men ; whether the Government should spend the taxpayers' money chiefly for the benefit of one class or another ; and whether, when new taxes are necessary, they should be taken from this class or from that. How we vote often depends largely on our views as to the fairness or unfairness of the way in which is divided up all the wealth that is being produced by the labour and thought of all the workers in the country.

But while we are talking of those who do the calculating and the managing, and those who perform the manual labour, we must not forget the equal importance of a third set—those who have done the necessary *saving*. For if we all used and enjoyed at once all that we could get with our weekly pounds, shillings, and pence, and never laid any by for future use, then projects like the building of railways could never be undertaken. Saving is at least as necessary as hand labour or brain work.

Let us return to the case of Robinson Crusoe. In what ways would a shipwrecked sailor save, and why should he attempt to do so ?

At first we may picture Crusoe as living from hand to mouth. He gathers enough fruit, and collects enough shell-fish, to keep him alive from day to day. But he wishes, let us say, to build a boat or weave a fishing net ; and the making of these takes time. Accordingly he works overtime for a few days, climbing trees and searching the

pools by the sea-shore, and thus succeeds in gathering together a large pile of coconuts and a store of crayfish and mussels. These form his savings, his "capital," for the moment ; and he is now able to settle down to days of uninterrupted toil at the construction of his net, instead of giving all his efforts to hunting his food. Day by day he consumes his saved food (lives on his capital) until there is none left. But in place of the fruit and the fish he has acquired a new species of "capital," a net, with which in future he hopes to catch far more fish than he ever caught before. The fishing net is the result of his saving—it is his saving in a transferred form. His stock of wealth is now greater, and his daily income of fish is likewise greater than before. He is using the result of his savings, the fishing net, much as the business man uses the machines in his factory. These similarly must be the offspring of people's savings ; as are also the factories and workshops themselves, the ploughs and harrows of the farmers, the ships, the railways, the roads and the docks, and all the complex apparatus by which new wealth is for ever being created.

Unless multitudes were continually saving—producing more than they immediately consume (like Robinson Crusoe gathering a store of food), or (what comes to the same thing from the community's point of view) refraining from consuming inherited capital and sternly maintaining it intact—nobody could carry out such tasks as the building of railways and the construction of canals that take years to complete. There must be, somewhere, food and clothing in readiness for the navvies to use while they are at work on the railway embankments ; and some one, somewhere, must have saved this

(refrained from consuming it when he had the legal power to consume it), and expects to receive a share in the products of the enterprise, in the shape of dividends or interest, for having performed the service of saving.¹

Of course the ordinary man in the ordinary world does not and cannot collect his savings in the form of quantities of food and coal and clothing. How then is the saving done?

For the solution of this problem let us transfer our friend Robinson Crusoe from the tranquil South Seas to the complex world of civilisation, and picture him now as a medical man at the beginning of his career, without any capital other than the "personal capital" of his medical knowledge. As our island Crusoe lived from hand to mouth, swarming up coconut palms and chasing after edible crabs to satisfy the cravings of his appetite; so our civilised Dr. Robinson lives on his narrow daily earnings, racing up and down people's front stairs and chasing after elderly ladies with full purses and dubious nervous systems, in order to gather in likewise his daily harvest of fees. But, if the fees exceed the needs of the hour, he constructs with them what we shall call provisionally (reserving the matter for consideration a few paragraphs later) a pile of entries in a banker's books (Crusoe's pile of fruit and fish), and presently exchanges it for a modern type of fishing net—a motor-car, let us say, with which he can thenceforward catch more fees. The motor-car is now his "capital,"—his first investment. He constructs, more rapidly than before, another pile of bank entries, and exchanges

¹ We are not discussing the meritousness of this, but referring merely to its social utility.

this for a part of some larger fishing net—a share, let us say, in the Great Northern Railway, which acts like a deep-sea drag net, drawing in fish in the form of freight charges, fines for pulling the communication cord without due cause, the prices of excursion tickets, and so forth—out of which he receives a supplementary income in the shape of railway dividends. And so his life goes on, until his fishing nets, scattered perhaps over all the seas and continents—bonds of a Cuban Telephone Company, Canadian Railway stock, a share in a Japanese War Loan—bring him in such an income of goods and services that he finds himself able to “retire,” and he now dreams away the leisurely remainder of his days, lying on his back on the peaceful sands of old age, watching his Man Friday mending his nets for him and hacking steps in the bark of the coconut palms to facilitate the task of gathering the fruit.

But Robinson Crusoe, it should be noted, *cannot* retire unless his Man Friday keeps still at work. And this is equally true of Dr. Robinson. Dr. Robinson describes himself no doubt as a man of independent means; but his independence is conditioned by the assumption that men in general must continue working; that capital (supplied by himself out of past labour) and labour (supplied now by others) will through the energies of business managers be somehow fitted together, and wealth thereby be produced sufficient to meet the claims of labourer and employer, as well as of himself, the retired investor.

But what really was that mysterious pile of bank entries that we used as a convenient short-hand expression for the first-fruits of Dr. Robinson's saving?

Ultimately it must be, just as in the case of the island Crusoe, a store of fruit and fish, or of coal or hides or wheat or iron-ore, stored *somewhere*; and this fact it is emphatically necessary to grasp, to grasp firmly, and never let slip. (For my part, when I am reading, say, the more interesting parts of the daily paper—those that deal with the current prices of bills of exchange, stocks and shares, and foreign cheques—watching that perennial game of chess that the financiers are for ever playing, with the whole round world for their many-squared chess-board,—I find it well to close my eyes a moment from time to time, and see it all, as it really is, in terms of coal and machinery. I feel safer, if, like Helen's Babies, I insist on “seeing the wheels go round,” before passing on to the next item.)

When most of us save, we say that we save *money*. But this is very rarely true, even superficially; for very few of us *are* coin-collectors. (It would indeed be rather difficult for many of us to become coin-collectors on a large scale. For if all the coin in the United Kingdom were equally divided up among all the inhabitants, it would work out at rather less than £5 per head of the population.) We are more likely to take our coin to a bank; and arrange with the banker to be allowed to have an equal amount back whenever we desire it. We cannot ask for the *same* money back. For if the banker were expected to take care of our own coins for us he would demand to be paid for the service of safeguarding them. But instead he often consents to pay us “interest” for the use of our savings, which he then lends to business men, asking from them a higher rate of interest. What we lend to the banker, and the banker lends to the business man, is the

power to take, when it is wanted, some part of the world's collection of heterogeneous savings—the stores of food and material that must be in existence, somewhere, in somebody's hands, before great enterprises like the building of railways can be carried through. Such stores are everywhere in existence ; and that, of course, is the chief reason why we are glad to get hold of money. Few of us desire shillings and pence, as trinkets, to keep. We appreciate them because it is so very easy to get rid of them. Every shopkeeper we find is ready to buy them from us by offering for them any sorts of goods that he has in stock. We appreciate coins because there is never any difficulty, when we take them to shops and other places where the world's stores of good things are kept (saved up for every man's use by the self-restraint of all sorts of workers), in selling them there for such commodities as our fancy selects.

What the banker himself does is to act as a sort of labour bureau that finds employment for the national stores of coal and wool and wheat and timber. If I say that my income is £500 a year and that I "save" £100 of it, this means, not that I receive or even see or handle five hundred sovereigns in the year, but that I receive orders (in the shape of my customers' or my employers' cheques) entitling me to draw on the world's stores of goods to the extent measured by the expression "£500." I do so draw to the extent measured by the expression "£400." The remaining stores (say, one hundred tons of coal) that I possessed the legal right to consume, I leave under the control of the banker, and instruct him to find a use for them. He chooses some business man, who has been besieging his doors

for the power to use one hundred tons of coal in his factory and who agrees to return their equivalent *plus £5* at the end of a year. The factory owner can make this offer, because with the help of the coal he expects to produce goods yielding him a profit of more than £5. At the end of the year the banker is repaid ; and out of the £5 contracted for, he hands me £2 as my compensation for not having consumed the coal (or its equivalent) myself—by taking, say, a trip round the world (which would involve the consumption of coal on my account in train and steamship and in my lodgings at each wayside inn). The balance is the banker's well-earned commission (part of which is handed over to the door-keeper and the clerks to enable them to pay their little coal-bills), and he is now in a position to pass on to yet another factory owner the use of another hundred tons of the world's saved stores of coal.

The banker's function is that of continually transferring the control of "capital"—of coal, that is to say, of wheat and machinery, ploughs, harrows, looms, steam-engines, bricks, mortar, and so forth—from the hands of those who, like myself, may have the legal power to purchase and utilise them, but not the requisite knowledge to venture on using them, into the hands of those who may be expected to use them to such good purpose as to be able, afterwards, to return their equivalent to the world's store-houses, with something over and above, to reward the banker for his services as intermediary, and myself for my social service in not consuming all that I might have consumed. He transfers out saved wealth—by smoothly working devices,¹ built

¹ For the study of these one of the best books is Mr. Hartley Withers' *The Meaning of Money*.

up mostly in the last century—from the decaying industries and the declining firms to the rising industries and the advancing firms. And woe betide the unhappy community where the bankers, through over-greed for gain, take needless risks, and by their rash blunders allow its hard-earned savings to be turned into apparatus (such as a wild-cat railway, or a worthless rubber plantation) the products of which no one wishes to buy, or to be eaten and drunk away by the wastrel and the spendthrift.

Now when we turn from countries like England and America to countries like India and China, we soon notice that the inhabitants of these are beyond all comparison poorer than ourselves (though we may point out, incidentally, that the stocks of gold and silver in our Indian Empire exceed by several times¹ the amounts held in England). The English working man is almost a king beside the Chinese or Indian coolie. Yet the Chinese are at least as hard-working as the English. They work more hours in the day, and more days in the year. They are perhaps as intelligent in their work as the English

¹ The amounts of gold and silver *added* during the latter half of the nineteenth century to the stock already in India in 1850 amount to about four times the amount of coins now in circulation in the United Kingdom. (How little the quantity of *money* in a country has to do with its real wealth should have been brought home vividly in the last few years to the members of nearly all nations. For the actions of governments in changing their monetary systems—chiefly by the printing of more paper to take the place of coin—have vastly increased the world's stocks of money. Yet the world, as a whole, is unmistakably poorer in 1920 than in 1914; and those countries, such as Germany and Russia, which have increased their money most lavishly, are perhaps the countries which are now the most impoverished.)

working man. They are a thrifty race. Their country is fertile, and rich in minerals. Their opportunities of becoming a prosperous people seem at least as great as ours.

All this goes to show that mere labour by itself, even when done by persevering and intelligent men, cannot be expected to produce great prosperity. In these Eastern countries nearly all classes of goods are still made in small quantities by single workers. There are not the great employers to bring vast armies of labourers together, and arrange their work for them to the best advantage, by dividing up the tasks into little pieces, each to be done by a different "hand." Also—and this is perhaps more important still—there are not the same convenient arrangements by which the savings of multitudes can be gathered together by bankers and company-promoters, and used by business managers as a means of producing further wealth. And so, though the Chinese have succeeded in giving us many clever and wonderful inventions (like gunpowder and printing), their inventions have not been used to turn out millions of articles from well-managed factories, and thus enable the Chinese worker to get high wages under one employer and buy with them the products turned out by Chinamen working in other factories, and so satisfy easily his daily needs.

As was said before, a nation's prosperity is based not on labour and on natural advantages of soil and climate alone, but equally upon the ideas of sagacious business leaders and upon the opportunities there may be of using the savings of all who are able and willing to save.

But is it not true (as perhaps some reader of this

may be inclined to object) that these "ideas" of business men, for producing goods more rapidly and easily, often, when they are first brought into use, result in taking away employment from the working man? For when a machine is introduced to do the work formerly done by a number of human workers, it certainly looks as if the human machines must, through the competition of these soulless mechanisms, be at once and permanently worse off.

Yet in the countries where there is much machinery, and where mechanical devices are always tending to take the place of manual labour, the working man is immeasurably better off—better fed, better clothed, better housed, able to buy more and better goods of all sorts—than in the economically backward countries where machinery is little known. How can we explain this paradox, if we accept the dicta of those who declare that all new inventions are bad for the working man?

In some few cases, as in domestic service, where modern apparatus relieves the housemaid of much that she used to do laboriously by hand, even the class with which the machinery seems to compete, and which it might, at first sight, be expected to oust, is at once and directly the gainer by the revolutionary changes. But let us take a more ordinary case and examine what more usually happens.

Suppose that a hundred men have had to be regularly employed in turning out a certain quantity of a certain type of goods—just the quantity that is usually bought and sold in a particular commercial area. Now let a machine be invented by means of which eighty men can turn out the same quantity of goods—thirty, say, being engaged on making

and repairing the machinery, and fifty acting as machine minders and tenders. The goods turned out will now be sold cheaper, because there is a smaller total wages bill to be met. So more of the output is bought than before, and more, therefore, has to be produced ; so it comes about that, though eighty men would suffice to turn out the original output, more than eighty, perhaps more than a hundred, are needed to produce the larger quantity—and all the workers in other industries who use these goods get them cheaper, and have thus more to spend in other ways—which is much the same as if they were now getting a higher money wage. For a man's real wages, as we have seen, do not consist of shillings and pence, but of the things he can buy with them. (It makes little difference to me whether I come to have twice as much money as before, or whether the things I am habitually buying come to be twice as cheap as they used to be. In either case I am about twice as well off as I was before.)

Even when the goods that are cheapened by the newly-invented machinery are not goods that working men usually buy, it will still be true that other sets of working men will be the gainers. For the people who do buy these cheapened goods will have more to spend than before, and in spending they must buy goods and services that working men supply. Their increased purchasing power may be expected to increase the amount of work for which wages will be offered.

This of course is not a complete account of the consequences of the introduction or extension of labour-saving appliances. Nor is it always true

that the working classes are immediately the gainers, especially if the change comes with drastic suddenness. In most cases, also, we should expect to find some workers who lose their work, and with it their chances of happiness, through never finding equally satisfactory employment again. But our description of what takes place in the generality of cases is not falsified by the occurrence of occasional exceptions.

We notice that the workers in each industry (employers and employed) gain whenever the products of other industries are cheapened. The boot-makers (masters and men) have more to spend on other goods when machinery is introduced to make hats cheaper; and the hatmakers (masters and men) gain whenever similar changes occur in the boot-factories. And so my selfish, immediate interest in life is always that there should be, not only as few people as possible competing with me in doing the same work as I do, but also as few machines as possible invented to compete with me, and as few changes as possible introduced in the methods of working the apparatus I wish to use. But I want the numbers of *other* groups of workers, and the application of inventions in *other* employments, to grow as rapidly as possible. For the smaller the output of goods and services resembling those that I myself bring to market, the greater will be the value of what I myself produce; and the greater the output of the activities of *other* groups, the cheaper for me will be the things I wish to buy, and the greater will be the power of yet other groups to purchase what I have to sell.

Particular groups very frequently suffer, for a short time, if not permanently, when changes of

method are adopted in any part of the field of industry. But when the changes enable more goods to be offered for sale more cheaply than before, it is practically always the case that there are more gainers than losers. Short-sighted critics overlook this continually, and shrink with repugnance from the mere rumour of the coming of new types of machinery or the adoption of the new methods of training workers that some American employers are beginning to experiment with. They think that the labourer must be ousted by the machine ; that there must be less work to be done, and that the working classes will be worse off, because there will be less wages to be paid than before. *Some* sets of workers, as we have seen, are certainly likely to be, at least temporarily, in a worse case than before ; but most of the others will have more employment and will find their weekly wages, when they set out to spend, going further than before,—which amounts to much the same as saying that their earnings are really higher.

Any change of this kind may bring suffering in its train ; and for the families that have their happiness wrecked by them—the children being despoiled of the prospects of a fuller education, the wives driven to practise humiliating economies—the suffering may be very formidable. We need not blink this fact or make light of it. But the *number* of those who suffer in this way is seldom as large as one might infer from a superficial glance. For novel modes of working can seldom be introduced with drastic suddenness ; and during the years when a new method of production is superseding an older method, very few of the rising generation will attach themselves to the firms that cling to

the older system. Even if they were keenly desirous of doing so, they would not easily find openings. For the older-fashioned employers would be seeing their trade passing from them, and their more up-to-date competitors underselling them in the general market. It would be more natural to expect to see them turning away old hands than taking new hands on. And meanwhile the older-fashioned workers would be gradually dying off or dropping out of the trade through old age—a process that works itself out more smoothly and more rapidly than a superficial consideration of the problem would suggest. So if we read that there are so many thousand fewer men engaged in a particular occupation than there were ten years ago, this must not be read as meaning that so many thousands have lost their employment. Some may have done so. But the chief change that has been in progress is usually that fewer beginners than previously are being taken on to replace those who are perpetually dropping out.

Nevertheless each progressive step that is brought before our notice by the daily papers may be the harbinger of suffering for some. Many of us therefore find ourselves inclined to wish that the clock could be made to stand still, and everybody be induced to remain content with things as they are. If that could be, the world (perhaps) might be a happier world. But when we observe how all sorts and conditions of men are for ever pressing on to become "better off"—the working classes with their trade unions, as well as all other classes—we see the futility of wishing that the world might halt in its course (even if the wish were really a wise wish, and fifty years of Europe no more admirable

than a cycle of Cathay). "Things are in the saddle and ride mankind." And recognising this, we seek rather to understand what happens to the rank and file as the moving columns advance ; and so perhaps learn better to make the appropriate hospital preparations to meet the claims of those who drop by the side of the long white dusty road whose end, we hope, is at the gates of a more glorious City of Man than this which gave us birth and equipped us for the campaign.

To summarise then the main points we have reached at this stage in our study.

In an advanced Western State very few workers now make whole articles for their own use or for sale. Men labour under leadership in great regiments massed in factories and workshops, each making only parts of parts of things, the products of one factory being utilised in other factories, or bought by all types of factory workers and others out of the price of their own labours. Our wealth, though measured in money, consists, not of money, but of the goods and services we are able to purchase with it, or to produce without buying from others. All who serve the community by pouring goods or services into the common pool (the world's markets) may expect to draw out from that pool a share of what other workers are adding to it. But besides those who bear the brunt of the struggle, toiling in the sweat of their brows, those also expect to receive a share who contribute, not *manual labour*, but either *ideas* (new inventions, or better ways of controlling and arranging the work done in farm and store and factory), or else *savings*, to be placed at the disposal of the leaders whose function it is to decide how

they are to be utilised in the creation of further wealth. And the greater the quantities of goods produced the greater may be expected to be the shares that fall to those who supply either ideas, or savings, or manual labour.

"Getting on well" means fitting oneself in well into a world where things are managed after this fashion. Those who can supply anything that is relatively scarce, and much in demand, are likely to "get on" better than those who supply what is already plentifully supplied to meet current demands. They fit in more usefully. Skilled workmen are scarcer than unskilled, and plumbers and engineers therefore draw more from the pool than navvies and street-cleaners. Useful new ideas in business are scarcer than most kinds of trained skill, and those who supply these generally flourish accordingly. Savings also are always scarcer than they might be—especially just now when war and war-preparations have been swallowing up what might have gone to swell the apparatus of production, and new worlds and new industries (such as oil-fields and rubber plantations) are crying out for the use of all the capital we can supply. And those, accordingly, who have savings to place at the world's disposal can always get a price for the use of their savings.

Labour—savings—ideas—these three, working together on the materials that Nature provides (the soil, the vegetation, the animals, the minerals below the surface) produce our wealth in closely knit collaboration—like three steeds of very different breeds dragging behind them the lumbering car of economic progress. Nations that harness all three steeds wisely and well together progress steadily, like the Dutch and the Belgians (of pre-war days),

whose land, when first we read of it, was little more than a barren waste of marshes and sand with but little mineral wealth below its surface ; those nations where one or other of them is ill-attached or missing (industry, or good management, or the habit of saving) fall behind in the race (like the peoples of India and China and of fertile tropical areas whose natural resources remain undeveloped) ; while those nations that waste and destroy wealth in frenzied wars that take both men and savings from the healthier task of creating the things we all desire, in order to use them instead in burning and breaking, may be expected not merely to fall back into misery themselves but to drag back their neighbours with them.

And this perhaps might have seemed sufficient for a bird's-eye view of our subject. One cardinal fact, however, has been taken for granted. For all forms of activity, the use of land in small quantities or in large, is an indispensable necessity : and land nowadays is mostly in private hands,—a fact, that would no doubt appear inexplicable to a Patagonian savage or to a highly intellectual being dropped upon the Earth from the planet Mars—but a fact that is a natural outgrowth of quite comprehensible historical causes. And thus it comes about that the landlord, who *controls* the land that all members of the community need, can sell the right to use it for any purposes for which it is needed, in the same way as the capitalist who *supplies* capital (the product of saving) can sell the use of it to those who are willing to pay the price. And so the landlord who *supplies* nothing (nothing in his capacity as landlord—however well he may serve the community in other capacities—for the

same individual may be capitalist, inventor, business organiser, and landlord in one) takes in the same way as the others from the fund of goods produced by all. If only he could *supply* land, as the investors supply capital—creating more whenever more is urgently required—his claim to a share in the national wealth would rest on the same footing as the claim of the capitalist. But unfortunately the supply of land is a fixed stock; and thus (as one consequence) the land owner is not usually handicapped, to the same extent as others are handicapped, by the growth of competing agencies dragging down the value of his individual share in the common output of wealth. Rather his share tends normally¹ to augment, through the continuous growth in the numbers of men and machines struggling in perpetual competition for the use of this limited stock of wealth-producing power, over which he exercises, by law and custom, a little brief authority.

¹ The English agricultural landlord has seen his share of the National Dividend dwindle since the third quarter of the nineteenth century, through the growth of railways opening up competing virgin lands in the New World, and by the growth of agricultural science (enabling a given quantity of produce to be got from smaller areas than before). The English urban landlord may, perhaps, in the future see his share, too, dwindle in similar fashion, through the growth of motor services and conceivably also of aviation—the latter affecting among other things the rents of residential buildings. (Temporarily, of course, his income is now strictly limited by the post-war legislation with regard to house rents, allowing him to get only about the same money income from his house property as he received before the war, out of which money income he can buy much less than his pre-war share of the goods produced by the rest of us.)

These then are what Economists call the four "Factors of Production":—Land controlled by Land-lords ; Labour, Organisation, and Capital, supplied by Labourers, Business Managers, and Capitalists. The total annual production of wealth (after allowance is made for the replacement and upkeep of existing apparatus and stocks of material) is the National Dividend ; and the parts of the total product falling to the four several "factors" are known as Rent, Wages, Profits of Business Management, and Interest. The last of these factors, and of these forms of remuneration, we treat in the next chapter. The second and third (the incomes of workers of all sorts) form the subject matter of Chapter IV. ; while Chapter V. deals with questions concerning land and rent.

CHAPTER III

THE APPARATUS WITH WHICH THE GAME IS PLAYED

"They also serve who only stand and wait."—MILTON.

WHAT is saving? And for what purposes do people in general save?

It is possible no doubt to argue that the saving tendency is an inherent instinct of human nature, like the instinct of the busy bee to gather honey in the summer with (presumably) no prophetic pre-
vision of the needs of the coming winter. Children make collections of the most heterogeneous kinds with no apparent motive other than the pleasure of collecting; and even adults are occasionally found emulating the White Knight of *Alice Through the Looking Glass*, accumulating miscellaneous oddments and justifying their actions, by an after-thought, on the same grounds as the Knight of Looking-Glass Land—that one never knows when a rat-trap, or a beehive, or an extra million dollars, will come in handy. Certainly the saving habit often grows into something as imperative as an instinct; so imperative that legislators have little fear of discouraging accumulation by such actions as the imposition of "progressive" death-duties (under which the State takes a larger percentage from the heirs the larger the property left momentarily ownerless by a wealthy man's death). After a certain stage, money-spinners go on spinning money with as

sublimely blind a disregard for rhyme or reason as the magic salt-machine displays in fulfilling its eternal function of grinding out salt at the bottom of the sea.

In the simplest case, however, where reason plays a conscious part, we save whenever we refrain from enjoying what we might enjoy now, because we feel we shall do more wisely to take our enjoyment, or part of it, later. If a small boy is given a pocketful of sweets to-day, and thinks he is not likely to get his pocket replenished in the immediate future, he will probably decide not to devour them all at once. His enjoyment, he realises, will be greater if, instead, he eats a few now, and a few to-morrow, and a few the next day,—especially as by so doing he will enjoy to-day the pleasure of thinking about to-morrow's enjoyment, besides enjoying to-morrow the actual eating of the sweets.

One of the first motives for saving is to make as sure as may be of having the power to spend to-morrow, or next week, or next year. Few of us can ever feel quite confident of having this power in the future; and our earnings bring us more satisfaction if we spend only part of them now, and feel that we are able to use the remainder at a later date, than if we used all our spending power at once. We lay up for "a rainy day"—for a day, that is, when we may not be able to earn, borrow, beg, or steal enough to replace what we are spending now—instead of doing all our spending while the sun of prosperity shines. By spreading our expenditure over good and bad times alike, we not only get better value from our spending power, but are able to enjoy in larger measure the pleasure that comes from the *prospect* of spending, which is

often as pleasant as the spending itself (just as half the enjoyment of a holiday or a honeymoon is often constituted by the pleasure of looking forward to it).

These are simple and familiar principles on which, even in our pocket-money days, we acted without having to wait for theoretical instruction. But in the great game of life that we all join in playing when we leave behind the shackles of school life, we find there are other, even more important, reasons for saving ; and unless saving on a very large scale were being carried on continuously by all sections of the community, most of the world's business activities (it is almost too evident to require pointing out) would speedily come to a standstill.

Working men in this country, as one mode of saving, pay weekly subscriptions to a trade union or a friendly society. Then if they temporarily lose their job, this society pays them so much a week until the rainy day has passed. This is one, highly important, way in which savings are gathered together. Nor, when they have thus been gathered together, are they allowed to lie idle, any more than the savings that are entrusted to bankers. Excepting what is required for immediate outgoings, these combined savings are regularly lent out to railway companies and similar business enterprises, thus making it easier for these, in their turn, to give regular employment to the lenders. (And thus we see a double reason why it is wise for the working classes to cultivate the habit of saving. Not only are they, individually, less exposed to suffering in times of unemployment ; they are also less exposed, collectively, to the evil of unemployment itself.)

But perhaps the commonest method of saving consists in taking reserved spending power to a bank, because bankers declare themselves willing to pay¹ for the use of it. Thousands of us pay small sums into banks, and the bankers select borrowers (governments, joint stock companies, private businesses) to which to pass them on. (The reader is warned to bear in mind, steadily, of what these savings fundamentally consist, as indicated on pp. 31-34.) The banker pays us a low rate of interest for what we lend him, and charges the borrower a higher rate. This is the way in which the banker "fits in" to the general scheme of things ; and this is the social service for which he receives a well-merited share in the national dividend. It is a most indispensable service. For most of us are afraid to lend our small sums direct to the business man. We feel we do not know enough about him and his business. He may fail, and we may never see our "money" again. But it is one of the chief functions of the banker to acquire all the information he can as to the safest ways in which our savings may be used, and to act upon his knowledge with the utmost conservatism.²

¹ In the case of small current accounts against which the depositor has the right of drawing cheques at his caprice, the "pay" usually takes the form of services rendered—especially the book-keeping services connected with the collection of funds represented by cheques paid in, or with the paying out of cash for cheques presented. Bankers estimated this service as costing them before the war (in clerks' wages, postage, etc.) somewhere about sixpence per cheque.

² We often hear complaints, from such people as the small shopkeeper round the corner, of the uncontrolled "monopoly power" of the great financial agencies that watch over the community's savings, and refuse them the

If there were no trustworthy bankers we should probably try to store our savings at home ; we should be perpetually anxious as to their safety (lest thieves should break through and steal) ; and we should be receiving no interest for the use of them. They would be lying idle, as the savings of the people of India lie idle, in the wasteful form of hoards of precious metals, only to be brought out when a rainy day comes round. But bankers cannot afford to let our savings lie idle. They pass them on as rapidly as possible to people who may be expected to use them in ways that will bring more goods to the world's markets and the world's storehouses of saved wealth. Occasionally, no doubt, they make mistakes, or misuse their powers, by lending in the wrong directions—as for instance when they pass our savings on to barbaric governments to play at “going to war” with them. But English bankers have on the whole a more creditable record than bankers of most other countries, and perhaps than any other large class of business men.

Because, then, of this system of paying interest for loans, we have yet another motive for saving. Not only do we expect to get more satisfaction from our spending power, through not using it all at once ; not only do we enjoy the feeling of security

“advances” they would like only too well to handle. We may congratulate ourselves that the banking institutions of this country are seldom struggling little competitors such as would have to snatch at risky profits (gained by lending to doubtful borrowers), and who by so doing would imperil the safety of the nation’s anxiously got savings—precipitating frequent crises in the money market with the consequent miseries of trade depression and widespread unemployment.

that comes from the possession of reserved spending power ; but because we are offered payments for the use of our savings we expect to enjoy not merely this reserved spending power but also an increased spending power in the future. And if it were not for this, the temptation to spend now instead of spending in the future would be regrettably strengthened. For saving may be described as exchanging the certainty of present enjoyment for the chance of future enjoyment. (When we lend £100 for one year at 5 per cent. we may say either that we sell £100 worth of enjoyment now for £105 worth of enjoyment next year, or that we sell the use of £100 worth of goods for a twelvemonth for the sum of £5 payable next year.) Future enjoyments are doubtful things, and in consequence are heavily "discounted" in the minds of most of us—at least of those of us who dwell South of the Tweed—and interest payments have to be thrown into the scales on the same scale-pan as the prospect of future pleasures in order to tip the balance in a socially beneficial direction. We have seen much the same force acting in the case of Robinson Crusoe (to whom, with apologies to the reader, I revert once more). Crusoe collected, and refrained from immediately consuming, his pile of fruit and fish, because he hoped, by foregoing present enjoyment, to receive in the future more fish (caught by the net which he constructed while living on his savings) and more fruit also (through the increase in the time that he could then devote to fruit-gathering).

Now, whenever goods or services of any type are being produced that call for the use of expensive apparatus in their production (such as buildings in which material has to be stored or where men are

to work ; tools and machinery for the workers to use ; steam-engines to drive the machines ; and coal to feed the steam-engines) then only a part of the price that we pay for the goods or services—I mention services, because such things as tram, train, banking, theatrical, insurance, educational, and boarding-house services loom very large in the everyday world—can be used to pay workmen's wages. Much has to be set aside by the manufacturer to pay interest to those whose savings were necessary in order to provide all this apparatus ; and only part of the price can be divided up between the employer and his hands, as "profits" and "wages."¹

¹ Notice also that when we do not pay for goods at the moment we get them—when we buy, not "for cash," but "on credit"—the price is nearly always a little higher in consequence, and sometimes a very great deal higher (as, for instance, when furniture is bought "on the hire system"—the purchaser paying so much a month, and running the risk of seeing the furniture swept away into the shopkeeper's vans if there is a day's delay in making any of these monthly payments). This difference in price is due to the fact that we are really *borrowing* from the shopkeeper, and must pay him interest on the loan. It is usually a high rate of interest, especially when we buy in small shops chiefly frequented by customers of the poorest class, because the shopkeeper feels he is running a serious risk of not being paid at all. Not that the poor are the sole, or the chief, offenders. People who consider themselves "gentlemen" and would never dream of borrowing from a tradesman—no gentleman, of course, would condescend to borrow from his tailor—think nothing of "buying" a suit of clothes for ten guineas and leaving the tailor unpaid for years. It does not occur to them that they have only *borrowed* the clothes, and not *bought* them till they have a receipt to show for cash delivered. (Such people would generally pay up promptly their betting losses to other gentlemen—these being "debts of honour"—debts which naturally, to their minds, take

This seems to many observers an objectionable rule of the game, and one which, they protest, ought emphatically to be revised. For it is a natural question to raise, especially on the part of hard working and conscientious people, why the capitalist should be free to live idly on the interest that he receives for the use of his capital, while the real workers toil continually—" Still from one sorrow to another thrown, And make perpetual moan"—usually getting a very small share indeed in the rewards of production? The many work (they say); the few enjoy.

In dealing with this question it seems best to lay aside, at least temporarily, all thought of the capitalist's personal merits, and to examine rather into the social utility of saving and the incentives that are necessary in order that sufficient savings may be forthcoming to enable the world's work to proceed smoothly and steadily. A little consideration brings it home to most people that without an immense amount of saving, carried on by all kinds of people, most of the goods we use could not be produced at all; without much saving there could be no such things as railways and theatres, hotels and roads and factories and ships; and without such apparatus we could never be supplied, in a country like this, even with our necessary food, to say nothing of the ordinary comforts and enjoyments of life. Many people might still save small amounts against a rainy day, even though no interest were to be got. But it is hardly to be expected that they should lend their savings, and run the risk of never

precedence of mere debts of honesty.) As a consequence, "buyers" of this type tend to raise slightly the cost of shop goods for all the rest of us.

getting them back, if they were not paid something for doing so. It is easy enough to argue that a rich man does not *deserve* to live comfortably on the interest he gets from saved wealth, or the rent of houses and land that have been bought with saved wealth. This may be true, but it is often a waste of time to discuss what people *deserve*. (Do I—as an individual—deserve to be richer than a person of equal industry and ability who happens to be born, not in the British empire as the heir of all earlier Englishmen's productive energies, but, let us say, in the heart of China?) It would seem to be more practical to consider whether it would be possible for us to obtain all the kinds of goods and services we need, if people of all sorts were not induced, firstly to save, and secondly to lend (or invest) their savings.

To the further point which it is natural to raise,—that interest (the share of the capitalist—and most of us, by the way, are to some tiny extent capitalists) is unnecessarily high, the answer would seem to be that producers are so eager in their competition for the use of capital, workers so eager in their struggle to get into touch with the saved raw material and machinery of the world, that the price paid is as inevitable as the price we pay for food and clothing. The current rate of interest, indeed, had been moving upwards for the twenty years preceding the Great War. For, rapidly as the world's supply of savings had been growing, through the growth of the productivity of the newer modes of industry (or, in other words, through the world's increased *power* to save) and through the growth of saving habits among large classes (or, in other words, the growth of the world's *willingness to save*)—a growth which

was seriously offset, however, by the waste of the world's savings in the building up of armies and navies—the supply could not keep pace with the growth in the demands for the use of our savings—for the opening up of the new countries whence we obtain our raw materials, and for the development of the new industries that are for ever cropping up out of the luxuriant soil of our insatiable desires for new toys and new experiences (cinematographs, motor-cars, super-dreadnoughts, and so forth).

This upward tendency in interest rates has now been extraordinarily intensified by the destruction of saved wealth in the years 1914–18, while the chaotic changes that have come about in prices and incomes have jolted great numbers out of their normal attitude to the questions of saving and spending. A resolute return towards more restrained habits in dealing with personal incomes has become a vital necessity if interest rates are to fall; and until interest rates do fall as a consequence of substantial increases in the aggregate of savings, the cost of living cannot greatly decline, seeing that interest charges (payments for the use of machinery, etc.) constitute an appreciable part of the costs of all the things we enjoy.

The price paid for the use of savings (the price paid by the Savings Bank for the use of the small man's shillings, as well as the price paid by one Balkan government for the millions wherewith to kill the subjects of a neighbouring government) *ought* (says the critic) to be lower? . . . So no doubt ought the prices of bread and gingerbeer to be lower. But those selfish bakers and brewers won't let us have them any the cheaper, for all the

fuss we like to make. (If wishes were guineas, we all should be rich.)¹

This, then, is the real meaning and purpose of the practice of paying interest—we want to make it worth while for all kinds of people to save. We may despise, and perhaps rightly despise, the man who lives idly on the yield from his investments. But we cannot in practice distinguish between the different kinds of people who ask interest for the use of their capital. If we could do so, and pay high interest only to active producers of wealth in order to induce them to produce and save more (such people, however, are likely to be borrowing other people's savings to use in addition to their own, rather than be lending surpluses to others), and low interest to idle folk, in order to induce them to buckle to and help increase the world's wealth, it might perhaps be a move in a healthy direction. It bears some resemblance however to the recent attempts on the part of certain groups of working men to boycott "tainted" goods, refusing to assist in their transport during the continuance of some trade dispute with regard to the conditions of their production. And it is not at all easy to see how such a change in the rules of the game could be made and enforced.

But though we cannot easily make this distinction between the different sorts of lenders, we can and do always make distinctions between the different sorts of borrowers. If, say, I wish my savings to

¹ Even if the State could be reconstructed on socialistic lines it would seem that the burden of interest charges would still have to be borne, though the form they would take might be superficially different. (See Cassel's *The Nature and Necessity of Interest*, chapter vi.)

be as safe as I can possibly make them and yet receive some interest from them, I shall place them at the disposal of the British Government ; for it is generally assumed that there is no other borrower that can be counted upon to be more prompt and trustworthy in the matter of interest payments. But for that very reason I must be content with a relatively low rate of interest (though after the destruction of wealth in these five years of war, even the British Government has for the moment to pay more than five per cent.). If I am not content with that return and yet wish for reasonable security, I may lend to a well-managed British railway company ("buy railway debentures") or to a small but very peaceful and honest government like that of Norway, and get a slightly better income. If instead I lend to a country like Brazil or Japan I can get yet more. If instead of lending to any of these great borrowers I think of placing my savings in the hands of a business man, I shall want to examine closely the chances of my debtor succeeding or failing ; and if I feel at all uncertain on this point I am not likely to lend unless I am promised a very high rate of interest. If, further, instead of choosing a prosperous firm that wants to borrow, not because it is in difficulties, but in order to enlarge its operations, I lend to some extravagant young man who promises me (faithfully) that he will repay me with interest because he expects, by and by, to inherit some thousands when his rich great-aunt dies, I shall be able to get a *promise* of a much higher rate still. In other words I expect a high or a low rate of interest, according as the risk of non-payment of interest and non-repayment of principal is great or small. Or, to put it more

precisely, I want, say, three per cent. for the mere use of my savings ; and one, two, five, ten or twenty per cent. more as compensation for the special risks I may be running. And thus it comes about that the least wealthy people (those who are always borrowing small sums from pawnbrokers and money-lenders, and " buying " goods " on credit ") must usually pay the highest rates that are paid in the market.

Now whenever great businesses (such as a railway or a shipping company) are being built up, great supplies of saved capital must be provided. If the enterprise seems a very safe one, the promoters have little difficulty in persuading bankers and others to provide the needed funds ; but if it looks a risky venture, there will be much more difficulty in getting hold of the necessary savings, even though a high rate be offered for the use of them. It is one of the chief functions of bankers to decide into what channels our savings are to flow ; and if they blunder seriously, and allow them to be utilised, say, in building factories that presently have to be shut up (because they produce what people will not buy at prices covering their total cost), then the savings are almost as completely destroyed as if they had been swallowed up by an earthquake or a war ; and bad results follow, not merely for the banker, but also (as in the case of a war) for the working men who wish for steady employment. We cannot do, therefore, without prudent conservative bankers, and especially bankers sufficiently prosperous not to be eager to run foolish risks with our savings in the hope of winning high profits.

But all this borrowing and lending, the reader should bear in mind, is borrowing and lending of

the power to consume goods ; and though we measure the transactions in terms of gold and other forms of money, the borrowing would not take place unless there existed actual stores of goods which the borrowers wish to utilise. South Africa and Australia have been quite importunate borrowers in the London market. But they are scarcely the countries that one would expect to ask for supplies of *gold*. Why ! the agents of their mining companies are for ever shovelling gold on board ships whose whistles keep screeching —“ To London ! To London ! ” Nor are the shrewd colonials going to be satisfied with bits of paper—cheques, bills, I.O.U.’s. They want *goods* ; and it is goods that travel across the sea when Australia appears as a borrower. Mostly, too, they will be goods made by English workers. And yet,—as the street-corner orator points out—how dreadfully distressing it is for our poor working man when “ Capital ” flutters its quivering pinions and floats away, sea-gull fashion, over the salt blue sea !

From the study of saving let us now turn to the consideration of its reverse—the waste and destruction of wealth, brought about in any manner. The most striking cases of course occur when whole nations in a fit of patriotic anger set about blowing to pieces immense quantities of saved material, and preventing the accumulation of fresh savings by withdrawing hundreds of thousands of workers from their ordinary productive occupations. Wealth that would otherwise have been passed on to business men to help in the making of goods and the growth of our prosperity, is placed in the hands of governments instead, to be utilised by them in the making of apparatus, such as torpedoes, and battleships,

with which to destroy wealth ; and for generations after a war in which our own country engages we must needs go on paying heavier taxes to our government in order that the government may pay interest on the borrowed millions. (Interest on our present war debt—1919—will for an indefinite period necessitate taxation at an average rate of eight or ten pounds per annum on each member of the population—men, women, and children ; while pension payments will make an addition of more than two pounds per annum to this figure.)

But even when our own country is not a party to the war, we are practically certain to be the losers by it. When Japan made war on Russia a few years ago, the Japanese had to ask for many millions of the English people's savings ; for they had (obviously) not nearly enough saved wealth of their own with which to meet the terrible cost of the struggle. Most of these millions would, if there had been no Manchurian war, have gone instead to build up great enterprises, such as railways in Canada and South America, which would make our supplies of raw materials and foodstuffs cheaper and easier to get, or have been used to increase the size and number of the English businesses that employ the working men of England (supplying, let us say, goods to be bought by the taxpayers of the warring countries, who, owing to their increased tax burdens, cannot now afford to buy as much as they otherwise might). We are the poorer not only by the campaigns we undertake ourselves, but by all the useless and expensive wars that are fought throughout the world.

We need say nothing about the country mouse —“wee, sleekit, cow’rin’, tim’rous beastie”—whose

nest is torn up by the mere passing of the plough-share of War.

“ That wee bit heap o’ leaves an’ stibble
Has cost thee mony a weary nibble !
Now thou’s turn’d out, for a’ thy trouble,
But house or hald,
To thole the winter’s sleety dribble
An’ cranreuch cauld ! ”

The stay-at-home worker, in the land which never hears the roar of cannon or sees the smoke of burning homesteads, suffers too. War to him spells, in the long run, less employment, fewer goods made, and heavier taxes. For a short space, no doubt, the outbreak of a war may seem to bring an increase of employment, as work has to be hurried through, in the arsenals and elsewhere, in preparation for the needs of the campaigning armies ; and at the close of a prolonged, exhausting war there may for a few months be intensified industrial activity in those countries whose workers’ services are in special demand for the repairing of the wastage of the world’s resources. But trade in general suffers ; there is less buying and selling of other things ; and mills and factories must close, breaking up the lives of myriads of innocent families. Even the prolonged threatening of a war-cloud, and the consequent mobilisation of armies, can produce nowadays very similar effects—as the peoples of neutral countries have found, to their cost, in recent years. And, it must not be forgotten, the misery due to unemployment at home may be deeper, more widespread, and more lasting, than the misery of beaten armies on the battle-field. Broken bones are serious enough, but broken hopes are graver things by far. And war—“ Wild War, who breaks the converse of the

wise"—breaks also the even tenour of the factory-worker's life, breaks his wife's health, breaks up his home and "bits of sticks," and robs of his schooling and his prospects wise little Peterkin who asked the unanswerable questions.

"But what good came of it at last?"

Quoth little Peterkin:—

"Why, that I cannot tell," said he,

"But 'twas a famous victory."

And as we all suffer through minor European campaigns or the civil wars of Central and South America—though these latter, being carried on inexpensively, do not touch us so nearly—it is one of the great problems of the future for civilised peoples to consider, how governments saturated with old-world ideas, about military honour and so forth, may have taken from them their present power to lay hands on the world's savings and so break the lives of innocent workers in scenes remote from the strife. And if the hotheads among us insist that we *must* make war when our military "honour" is at stake, then let us answer that the hotheads should not only bear the whole burden of the additional taxes and compensate the rest of us for the narrowing of our opportunities, due to trade depression and unemployment, but should also compensate us for the loss of *our* patriotic pride in the patience and common-sense of our country and for the shame that we feel in what *we* account the tarnishing of the fair fame of England.

For we are not filibusters all.

"But some love England and her honour yet!

And these in our Thermopylae shall stand,

And hold against the world this honour of the land."

Of course there may be wars fought for good objects that are worth the cost, such as wars to put a stop to slavery. But how many "causes" in the history of mankind have really been furthered by war? How many wars have we fought without repenting, later, of having "put our money on the wrong horse" (to repeat the phrase of a Tory Foreign Secretary, uttered in all seriousness, in a retrospective reference to our Russo-Turkish policy of the nineteenth century) ?

Some few wars too, it may be admitted, have even made the world almost immediately the richer. Thus, if we destroy the freedom and independence of robber tribes in the Sudan who were preventing Egyptian cotton-growers from carrying on their lives peaceably, the whole world may be the richer by the war and not the poorer. But it is seldom nowadays that wars, however successful, can enrich a nation. This was less true a few centuries ago, when many of our great wars were fought in order "to gain" colonial markets, and so to increase trade. But there are more ways than one of "opening up" a market, just as there are more ways than one of opening a banker's strong room. And in those days the "opening up" of markets had fewer of the characteristics of what we now call trade, and more of the features of what we now term piracy. Modern trade can rarely be bettered by war, though some groups, besides the armament firms and their employees—especially groups of workers in neutral countries—will usually be gainers; just as when wholesome industrial revolutions in methods of manufacture are being introduced some groups of workers are likely to be losers. Thus the American Civil War probably benefited the cotton-

growers of Egypt and India, while it reduced two millions of Lancashire folk to the borders of destitution ; war-correspondents, war-poets, and postage-stamp collectors in besieged cities may reap good harvests of gold or glory during a campaign, though newspaper proprietors (unless the war is very brief) generally lose, as also do those contributors who supply other forms of tamer literature ; a few lucky " bears " on the Stock Exchange gain ; but the bulk of the world's financiers (and holders of pre-war investments) suffer grievously. And thus in the intricately interwoven network of the modern world's activities we find that it has come about that for all save an exceptional few, war, which in earlier ages was merely a crime, has grown into something immeasurably more serious. War, for economic ends, in the modern world, has become—a colossal blunder.

Let us now consider the effects produced by the destruction of wealth that is lost in other ways than by being lent to governments to make war, by being used to build unprofitable factories, or needless railways by which no one wishes to travel, or (what comes to much the same as these last-mentioned blunders) by being taken by public authorities to construct (let us say) needless roads, when acting from a strong desire to help the deserving unemployed.

What happens when a house or a shop is destroyed by an outbreak of fire ? Bricklayers, carpenters, glaziers, paperhangers, and others cry out at once that it is "good for trade." For another must be built to replace the building that has been destroyed ; and this means more work for the builders ; and unless theirs is an unselfishness as of the early

apostles, they can scarcely refrain from rejoicing at the news of each failure of the fire-brigades to turn up in time—even as the armament firms must exult over each threat of an international conflagration.

Some one, however, is bound to be the poorer. If the shop is not insured, the shopkeeper is obviously the poorer by the loss of his property ; and though he may be willing and able to spend on the erection of a new shop in its place, he must have just so much less power to spend in other ways. He buys less of other goods ; or he withdraws from a bank savings that would otherwise have been used by other business men for buying goods or erecting buildings ; or he sells stocks and shares which are bought by other people's savings, withdrawn from banks for the purpose. In any case, less employment is in consequence given to those sets of men who would have supplied the alternative goods and services. The fire is *not* good for trade. It does good to builders and their workmen, and harm to the rest of the community, much as an epidemic of small-pox does good to doctors and undertakers, but not to the rest of us. There is a loss of saved wealth, and the community as a whole is the poorer by it.

If, however, the shop is insured, unthinking people fancy that the loss is, by some magic sleight of hand, conjured into a profit, or at least completely cancelled. Let us examine, then, more precisely, the actual working out of this modern legerdemain.

Suppose there are a thousand families living in the same locality, each of which owns a house of about the same size, worth (say) £1000 ; and each house runs just as much chance as any other of

destruction by fire. Then these thousand families might agree together that, whenever any one house is destroyed, all will club together and build another in its place. If they come to this agreement, there will be just as great a loss of wealth whenever a fire occurs. But the burden of the loss will be lighter. For instead of one family being ruined (and dragging down miscellaneous creditors in their fall) the burden will be distributed among a thousand families, each of which subscribes twenty shillings towards the replacement fund. It is normally better for the community that sudden gains or sudden losses should be evenly distributed, instead of being heaped on single individuals, for this means a better distribution of spending power, and therefore steadier conditions of employment. As Mr. J. A. Hobson likes to express it, trade depressions can largely be ascribed to "under-consumption" (or under-consuming power) on the part of various sections of the community.

Now suppose it were found, as the result of statistical records, that one house in every thousand in that locality was destroyed by fire each year. Instead of waiting for each outbreak to occur and sending round the hat after the event, it would evidently be simpler and safer to arrange that each family should pay twenty shillings a year into a common fund, and that whenever a fire occurred, the owner of the building destroyed should draw £1000 from the common fund to use at his discretion. This would be a case of "mutual insurance."

An ordinary insurance company is a society that agrees to collect subscriptions of this kind, and take charge of the common fund out of which payments are to be made to those who suffer by such misfor-

tunes as fire. Frequently such companies combine with this function that of insuring families against losses caused by the death of one of their members—life-insurance (so-called); and also that of insuring individuals against the misfortune of a life prolonged beyond the period of earning power—endowment insurance. (This latter is perhaps what should more correctly be described as “life-insurance,” and the former as “death-insurance.”)

In all such matters the insurance company performs all the necessary work and charges subscribers rather more than they would need to pay under the system of mutual insurance. Out of these higher charges it expects to reap a profit, which in many cases (though not in all—for some batten on the lack of trained imagination or of arithmetical power to be found among large sections of the poor) may be as thoroughly deserved as the reward for any other form of economic service.

Now, if a shop or a ship that has been insured is burned down or lost at sea, its owner may lose nothing. But there is still the same loss, though it is the insurance company that now bears it. Its shareholders have less profit to divide up among themselves; they have, therefore, less to spend, or to lend to others to use. And so less employment is given than if there had been no fire or shipwreck. The burning down of an insured house may be good for the builder’s trade, but must be bad for most other trades. Insurance, in fact, not merely does not reduce the total of loss; it tends to increase it, by decreasing householders’ carefulness and encouraging deliberate attempts to rob the shareholders in insurance companies by arson. The law, therefore, has to frown upon excessive insurance—especi-

ally in the case of ships, whose loss (not always undesired by ship-owners) may involve the sacrifice of sailors' lives.

For all the players in the game of life, but especially for the mass of the nation that lives by weekly wages, it is of the utmost importance that there should be as little waste of wealth and as much saving as possible (the savings to be turned—through the medium of the activities of bankers and company-promoters—into mills and workshops employing myriads of workers, and producing more and more cheaply the goods that workers want). This is true whatever the kind of waste, even when the waste consists merely in careless spending. As a general rule, the well-to-do man who spends all that he has power to spend benefits the rest of us less than the careful, saving man whom most of us do not consider an equally attractive personality. The thoughtless spendthrift appears a very fine fellow indeed to the shopkeepers and others with whom he happens to deal. But the benefits for which he is applauded are more short-lived, less substantial, and less widespread in their influence, than the benefits due to the man who, spending regularly and steadily on a moderate scale, sets himself to save more.

This is one great social function of the multi-millionaire. When a man's income passes beyond a certain point, it becomes inevitable that he should save and reinvest it. Even if he magnanimously attempts to give it away, his gifts are almost certain to take the form of wealth-producing apparatus—public libraries for instance. No doubt it means greater satisfaction for the community when incomes are fairly evenly divided, the gap between rich and poor

being a relatively narrow one. But when individual incomes exceed a fairly high figure, the reverse state of affairs has its advantages. Less wealth is likely to be squandered when one man "enjoys" a million a year, than when a hundred have ten thousand apiece. We may pity the poor millionaire, as a fellow human being, for all the joys he misses that we can taste—the exhilaration of the struggle to make one's way without damaging others, and the homely joys of

"The little life of bank and briar,
The bird that pipes his lone desire
And dies unheard within the tree,"—

but at the same time we may congratulate ourselves on the benefits we reap at the expense of his overburdened soul. On the other hand, we cannot forget the dangers involved in leaving excessive power of any sort in single irresponsible hands. Some centuries ago the English had to topple over the political powers of irresponsible kingship; only yesterday they dealt with an irresponsible House of Lords; and to-morrow (say some) they must set fetters about the powers of elected Cabinets. So also we may have to say to the multi-millionaire—unless he behaves uncommonly well—that "golden lads and girls all must," like kings and dukelings, "come to dust." (There seems to be no end to this sort of thing in the building up of our City of Man. One feels tempted to sum it all up in the words of our small friend, Algernon Cholmondeley Montmorency Vere de Vere Jones, who, on his third visit to London Town, finding the streets still under repair, burst out on the top of the 'bus—"Won't it be a splendid town, Mother, *when it is finished!* ")

It is not true that extravagant expenditure is

good for employment, any more than the burning down of a shop or the sinking of a ship. It is not true, that is, unless we give to the phrase a possible, but rather unusual, interpretation. Extravagant expenditure is "good for" employment in exactly the same sense that sitting with the back of one's neck exposed to a draught from an open window is "good for" a cold in the head. It is very good for the cold—and very bad for the patient. Extravagant expenditure is "good for" employment, and bad for the employee. But who in this non-angelic world seeks employment, for its own sake, any more eagerly than he seeks a cold in the head? What most of us want is wages, and we submit to the employment (as we sometimes submit to the risk of a cold in the head) as a necessary evil—as a means to a desired end. On these lines we can agree that extravagant expenditure is good for employment, much as a destructive earthquake is good for employment. After the cataclysm all the thoroughfares are impeded by fallen masonry, necessitating more work for the waggoners and cab-drivers in navigating the streets, more work for the police in guiding the traffic, more work for the surgeons in mending the broken bones of those who stumble among the débris. Extravagant expenditure, in other words, makes it harder for most members of the community to satisfy their everyday desires, and thus necessitates *more work* for all—but with no larger income of commodities and services growing out of their treadmill activities. It is very good for employment, and very bad for the community; very good for the disease, but hardly for the patient.

What, however, is often more difficult to decide, in practice, is what exactly constitutes extravagant

or wasteful expenditure. Thus if I spend a guinea for the right to occupy fifteen inches of a deal plank on the route to be traversed by a Coronation Procession, I am probably responsible for the consumption of only a few pence' worth of wealth. The remainder of the guinea that I part with is merely transferred from my pockets to those of the lucky owner of the site on which the seats are erected. Similarly, if I over-stamp my letters, I am merely making a present to the community-at-large ; or if I light a cigar with a five-pound note, I am making a present to the Bank. But if, on the other hand, I participate, as guest or as host, at a banquet that costs a guinea a head, then I am responsible for the consumption of a guinea's worth of wealth. The fact that the banquet enables caterers, waiters, and vine-growers to make an income is not an off-set to this waste. *It is this that constitutes the waste*—the waste of energies that might be more beneficially employed in other ways—though if any of those who supply the needed services are making an exorbitant (non-competitive) profit, this part of the "cost" will resemble the gain of the site-owner in the case of the Coronation Procession—being merely a transfer of wealth, not a destruction of savings.

Moreover, it is never wise, especially in our judgments on our neighbour's system of expenditure (which, of course, is, in ninety-nine cases out of a hundred, a sublimely idiotic system—compared with our own), to overlook the truth that Man is not made for Wealth, but Wealth for Man. Otherwise we are liable to imitate that Scotchman—I believe he was a Scotchman—who, when found by a visitor wrapped up in rugs in an armchair beside his fire, moaning and groaning with internal agonies, ex-

plained that he had been examining the remains of the various medicines that his doctor had prescribed for the family in the past year, and fearing from their appearance that they were tending to go bad, had drunk them all up, in order to save waste.¹

Nor is it true that if a well-to-do person does work for pay instead of living idly, he is, by his industry, reducing the amount of work to be done by others who need the pay. For he increases his own spending power by the amount of his salary. In spending this (or, perhaps better, in "saving" it by passing it on through the hands of bankers and directors of joint stock companies to be spent in wealth-producing ways) he gives as much employment to other workers as he seems to have taken away by working himself, and the world is the richer by the amount of useful work he has done.

Thus if a number of girls belonging to well-to-do families undertake work as manipulators of typewriters at £50 a year, in order to spend £50 a year more on millinery, music, pleasure-trips, and books, they may have taken away the chance of a job from girls who would have been glad of their posts, but they give just as much work to the girls in the millinery trade, the stewardesses on the excursion steamers, the girls at the book-binders', and so on.

If, however, a man who is capable of doing difficult professional work gives this up in order to undertake work of a more routine kind instead, then there will be a waste of human power and a reduction in the amount of wealth that would have been created; and in the opportunities for work

¹ For a good, simple treatment of the problems of expenditure, the reader is referred to Mr. H. G. Wood's admirable little book, *Personal Economy and Social Reform*.

available to manual workers—though it is better for wage-earners in general that he should do even ordinary manual work than do nothing at all. If I go blackberrying, in partnership with a man six inches taller than myself, I should prefer that he should leave alone the berries that grow near the ground. For him to gather these is a waste of his six inches. But I prefer, all the same, that he should gather these rather than none at all.

“But,” interjects an eager critic who has been waiting for an opening, “does not what you call ‘extravagant’ expenditure put money into circulation and so benefit trade?”

This critic bewilders me; after a brief encounter with him I find myself, numb and helpless, on the floor. His words leave me in a condition in which I can put forward no defence more luminous than that of the correspondent in *Punch* who, when his friends urged him not to leave his money lying idle at the bank, pointed out, quite cogently, that it was *not* lying idle; whenever he went into the bank he could see the clerks shovelling it around with little brass shovels. Or, is “Free Expenditure” a name for a branch of the Mint—that being the only institution known to me that may be expected (by my way of thinking) to “put money into circulation”?

“Puts money into circulation . . .” Does he mean to imply that it is bad for trade to have many penny-in-the-slot machines scattered about, swallowing up our coins, and refusing to disgorge them save at lengthy intervals? (There is some truth in this, but for the opposite reason to that which our critic approves. It compels the Mint to put more money into circulation—an operation which, like gold-mining, involves a relatively wasteful use of

our capital and labour. And some such result actually occurred, I believe, when penny-in-the-slot machines were first extensively introduced.) Does he mean also that it is good for trade when the unemployed are busily playing pitch and toss on every village green and every vacant city lot? (The coins certainly seem to circulate then.)

This critic, I am afraid, is "too many" for me. I cannot guess what his well-intentioned intervention is meant to mean. Let me admit it candidly, and abandon the argument, and retire.

CHAPTER IV

THE PLAYERS AND THE PRIZES

Shiv, who poured the harvest and made the winds to blow,
Sitting at the doorways of a day of long ago,
Gave to each his portion, food and toil and fate,
From the King upon the *guddee* to the Beggar at the gate.

KIPLING.

How are the prizes of life divided up?—This is our next problem. Incomes, or parts of income, derived from either capital or land-ownership we deal with in Chapters III. and V. What we now have to consider is the highly practical question, why different sets of workers—bricklayers, doctors, street-cleaners, policemen, lawyers, sailors, prima donnas, authors, boot-blacks—earn such very different incomes. It is a question of more than merely theoretical interest, not only for everyone who stands at the gateways of adult life, choosing tremulously his future occupation, but for all who take any part, however meagre, in the game of politics or the game of life. For it lies at the back of a multitude of the worries that beset the weary citizen, as he turns the pages of his morning paper to read of agitations for minimum wage laws, protests of professional men against insurance acts, and outcries and outbreaks of municipal and State employees; or lays it aside for a moment to wipe away the tears of his better half over some new phase of the recurrent servant-question. (“Drat them all! Why

can't they be satisfied with twelve pounds a year and board, and the reversion of my wife's last season's dresses? . . . You make the coffee quite as well as the cook used to, my dear. . . . Now when I was a young man"—but the reader can supply the rest for himself.)

Why does a good dentist earn £1000 a year, while a grocer's assistant has to be content with eighty? Shall we say that it is because the dentist's work is especially disagreeable? If that were the sole reason, we should expect to see street-scavengers, fishwives, stokers, and the men in the butcher's slaughter-house, paid even better than the dentist. But such folk, we observe, are but seldom prize-winners in the game. Is it, then, because the dentist's work requires more brains? Partly, perhaps; but workers whose work requires very great brains indeed are often far from being lavishly remunerated—writers of fine poetry, for instance, —even those with skill to cut and fashion

“jewels five words long
That on the stretched forefinger of all Time
Sparkle for ever.”

(We are getting “warmer,” but we are not quite there yet.)

Let us see if we can reach the desired solution by turning aside to consider an allied problem—a sort of first cousin of the original question. (For the long way round is sometimes the easiest to travel.)

Why do we pay more for some kinds of goods than for others—more for grapes than for gooseberries, more for silver spoons than for brass ones, more for a silk dress than for a cotton dress? Why do we put ourselves to more trouble to recover a small

gold coin than to pick up a large copper one? (Now don't let us answer that last question after the fashion of the Society lady quoted in Chapter I. It is neither as silly as it looks, nor very easy to answer—to answer so as to give full satisfaction, let us say, to an immigrant from the planet Mars. For "we" includes not only the patrician damsels with the jewelled purse, but also the plebeian shop-keeper, and the portly wholesale dealer back of him, and all the rest of mankind, from sensible you and me to the foolish virgins who, when the Last Trump blows, will be discovered with the coins in their hands; they will feel, methinks, very like that eager mill-hand who, finding an unquenchable thirst upon him, worked three hours overtime, on time-and-a-half rates, and came out, jubilant,—to find that closing time was past and that the doors of all the gingerbeer shops were bolted and barred.

. . . Why do we all pretend to be so eager to get hold of money—not only here in hypocritical England, but even in truthful France—though if we find a stray coin in our waistcoat pocket our first impetuous impulse is to get rid of it as soon as may be? . . . My young Society acquaintance, prithee, tell me why.)

All these are questions of the open market—the open market being, for us, "any set of conditions within which there tends, at any one moment, to be only one price for each grade of each commodity"; while a perfect market—where conditions are so "transparent" that everybody can see what everybody else is doing (or thinking of doing), and where magic carpets are always available to transport either buyers or sellers backwards and forwards, without risk of jolting or of collisions in the air, to

the places where it is best worth their while to be —would be a market where this tendency of prices to reach an equality would be actualised into an observable fact. (The Stock Exchange is something like this, but not quite; so is the money-market, where bankers and bill-brokers buy and sell the short-period use of capital; so, more or less, are the markets where "future" deliveries of wheat and cotton are dealt in.)

In all markets, however, most people when they have to buy, try to buy as cheaply as they can. When they are selling, they sell as dear as they can. (Really, everybody attempts both these actions at one and the same moment. The schoolboy is simultaneously buying sweets and selling coppers; the confectioner is selling sweets and buying coppers; and each is hoping to make a good bargain, without necessarily trying to cheat the other.) Now if cotton dresses were offered at the same price as silk ones, nearly all the buyers would choose silk. The cotton goods could not be sold; and as silk is more difficult and more costly to prepare than cotton, not enough silk could be placed in the shops to satisfy everybody's needs for dresses; some would have to be sent empty away.

Either the price of silk goods has been placed too low, or that of cotton goods too high. Either the former must be raised, to make it worth while for more workers to turn to producing silk, and to make it less worth while for everybody to crowd round the silk-dress counter; or the price of cotton must be lowered, to produce the reverse effects among the cotton-planters and cotton-spinners and among the customers at large.

So the prices inevitably alter, until a position of

equilibrium is reached. Both classes of goods come to be sold at a price at which it only just pays *some* of the producers to sell them, and at which it is only just worth while for *some* of the customers to buy them. Most of the producers will be getting a better return than this on some part of their output, and most of the customers will feel that they are getting better value than this for most of their expenditure. But if any of the sellers felt that they could with advantage produce and sell more at a lower price, they would be bound to do so, and by their competition drive the price downwards ; while if many of the customers felt that they could with advantage buy more at a higher price, they would try to buy, and by their competition drive the price upwards. And the players in the "scrum" are so evenly balanced (in normal times, when production and marketing are reasonably open and free—not so much in a period of dearth and confusion and governmental interference, such as we are experiencing at the close of the war) that there seldom occurs a very bad break in their formation, such as would send the ball off with an unexpected rush towards either goal.

As the price of anything rises we are willing to buy less and less of it ; and as it falls we buy more. If there is a great deal of silk being easily produced, the sellers know that, in order to have it all bought up, they must offer it at lower figures than would be necessary if a smaller quantity only were being produced. If a disease has spread among the silk-worms one year, so that less silk can be offered for sale, the sellers know they can ask a higher price, and sell the whole of the smaller supply to those customers who want silk goods so much that they

will pay more for them than before, while the less eager customers go without. On the other hand, if the fashion changes, so that fewer people are eager to wear silk than wanted it before, the price would need to be lowered if the sellers would see their stocks safely cleared.

The business man will explain all this in one terse sentence. He declares, with admirable brevity, that "it is all a question of supply and demand."¹

Silk goods sell for more than cotton goods ; and

¹ As I laboriously constructed the foregoing paragraphs as an answer to the questions propounded at the beginning of the chapter, I felt sorely tempted to behave like Katie Willows in Tennyson's *The Brook*, when she found herself confronted by an embarrassing question.

" But Katie snatched her eyes at once from mine,
And sketching with her slender pointed foot
Some figure like a wizard pentagram
On garden gravel, let my query pass
Unclaimed."

Had I been a mathematical economist writing for professional students, I should have saved myself much time and trouble, by sketching here just such a wizard's pentagram, sprinkling it over with miscellaneous letters of the alphabet (which I should have explained, airily, as " DD—the demand curve ; SS—the supply schedule," and so forth) ; and thus dismissed the whole question, even more concisely than our friend the business man, with a " There you are—Q.E.D." Unfortunately the publishers of this volume object to being asked to reproduce geometrical designs to save the author time and trouble ; so I have had to work round by a longer route. But (may I point out, for the benefit of the sceptical reader ?) the diagrams that the mathematical professor would here supply would not be an idle flourish on the part of the Superior Person, designed to make the simple things of life seem more learnedly abstruse. " Less of sentiment than sense had Katie ; " and the same, I fancy, holds good of most Professors of Political Economy.

dentists' work sells for more than bricklayers' work. "It is all a question of supply and demand."

We wish to buy the dentist's services as cheaply as we can ; the dentist sells it as dear as he can. If the dentists were to ask too high a price for their skill, we should try to struggle on without having our teeth seen to as often as we should like ; the dentists would find that they were selling us less of their services than they would like. They would be earning less than they might, and would therefore be likely to lower their charges for the same reason that the silk dealers lowered theirs. If, on the other hand, the dentists' fees were so low that the public were always crowding into the dentists' rooms, the dentists would be able to raise their fees, and yet sell enough of their services to earn high incomes.

Now if, for any reason, it is evident that dentists are doing better than formerly, more young people who might otherwise have decided to become engineers or solicitors or government clerks will think it wiser to have themselves trained as dentists. In other words, because we, the general public, want more dentistry done, and are willing to pay good fees for dental service, the incomes of dentists begin to rise, and more people in consequence become dentists. First we "demand" more dental work, and then more people "supply" themselves as dentists. The same will be the case with all other types of workers—bricklayers, butchers, bootmakers, and so on—with the result that we find ourselves distributed among all the trades and professions (by no means perfectly, or without much waste of good ability, and the loss of many years of preliminary blundering on the part of many

unhappy beginners) in such a manner as to satisfy, more or less, our needs for one another's services.

This, however, is a slow, gradual, never-ending process ; and by those whose attention is chiefly occupied with watching the battles between employers and their hands, with trade unions bargaining for higher pay, and strikes and lock-outs following, the fundamentally important facts about " supply and demand " are liable to be overlooked. It is these facts about " demand " (what kinds of goods or services we, the general public,—mainly, of course, the working classes—want) and " supply " (what numbers of workers in each trade or profession will be ready, able, and willing to do the work for any specified rates of pay) that finally determine what the earnings of bricklayers or dentists will be in the long run, and fix the limits to which trade-unions, or dental congresses, can force pay up, or associated employers and the general public (mainly of course the working classes) can force them down. The struggles between employers and their hands resemble the separate waves breaking on an ocean beach ; while the forces of supply and demand determine how far up the sands the sea will come.¹

¹ The most effective work done by trade unions would seem to be their collective bargaining, not directly about rates of pay, but about conditions of work and methods of pay. If their actions so improve conditions that the members of the union turn out more work and so become worth more than they were worth before, the " demand " for the labour in question rises and pay rises in consequence. (Rarely can a union permanently affect " supply," by putting obstacles in the path of new-comers into the trade, if these latter are willing to join the union.) The educative effect of their diplomacy is also often important ; and when the unions are solidly built their moderating influence in preventing such strikes as are really wasteful and which,

If, then, the nation wants (let us say) more bicycles made every year, the earnings of bicycle makers would begin to go up, because there would be more employment to be had. But as this would induce more young people to seek employment in cycle works, the earnings are not likely to rise much ; and in fact, if through excessive optimism too many new hands press in to learn the different parts of this trade, they may even fall. Such mistakes are perpetually occurring, with consequent loss to both capital and labour. Too many of us crowd into one trade for a time (too much capital being drawn in simultaneously) and many of us are presently thrown out of work (the machinery, also, finding itself under-employed), and the wages of those who retain their places (as well as the yield of the capital that continues in operation) fall to a lower level.

Individual employers can never calculate exactly how many bicycles will be bought by the public at any specified price, or how many bicycles are likely to be produced in a given period by their rivals at home or abroad ; and therefore they cannot calculate exactly how many new hands there will be permanent work for (and how much also of the world's savings they can pay interest on for the right to turn it into cycle-making apparatus). Even if all the cycle works were merged into a Trust, or brought under State control, though the latter mistake (the under-estimating of what one's rivals are doing) could no longer emerge, the former would appear therefore, injure the general public (mainly, of course, the rest of the working classes) is socially most beneficial. We have already referred (p. 52) to the benefits reaped by the whole community (and most especially by the wage-earning portion of it) from their collective savings.

to be at least as likely to occur, with the same disastrous effects as under present "anarchic" conditions. (The history of American Trusts does not point to any very great steadyng of employment when monopoly replaces competition.)

We have not here (be it observed) dug very deep below the surface of things in our investigation into these queer forces of supply and demand. For whether we appear to ourselves as buyers or sellers (suppliers or demanders) we are equally bent on offering something for something ; and this we should hardly do unless the something we receive seemed to each of us (supplier and demander) of more value than the something we give. And thus no exchanging could take place in any circumstances —each of us would rest satisfied with what he possesses—unless each of us had a separate and peculiar personal scale of values for all the things that may be bought and sold (including our own time and energies) ; and unless each of us were made after a different pattern from all his neighbours there could be no science of economics. We may be puzzled, and even at times distressed, by the curious valuations that our neighbours set upon the goods in the world's markets—one bent on the Simple Life, one on the Strenuous Life, and another on the Life of courts and kings. One, we observe, builds up a fortune in order to exchange it greedily for a membership of Parliament ; while another struggles through the turmoil of electioneering and parliamentary business in order to use his opportunities at Westminster to forward his advance towards millionaire-dom. As Omar concisely puts it :

" I often wonder what the vintners buy
One half so precious as the goods they sell."

And even stranger contrasts sometimes greet us. The dwellers in mean streets purchase with showers of coppers the joy-bringing presence of the organ-grinder and his monkey : the income-tax-payers of a daintier quarter purchase with yet more lavish generosity his speedy departure ; while Croesus Minimus from his nurse's arms wails piteously after the retreating figure—

“ Just for a handful of silver he left us . . . ! ”

But now let us come back to the question we raised at the beginning of the chapter. Why does one kind of worker earn perhaps ten times as much as another—a doctor getting perhaps £1000 a year, a working plumber £200, a clerk in a small shop £100 ?

If all kinds of work were equally easy to learn, and equally pleasant or unpleasant to do, I think we should soon find that there would not be these big differences in pay. We should all decide to become doctors and refuse to become clerks. But we cannot all become doctors. Before we are allowed to practise as qualified medical men we have to pass a long series of exceedingly difficult examinations, to show that we know a great deal about the structure and behaviour of all the parts of the human body, and how different diseases affect each, and how various kinds of drugs are likely to act upon them. Not all of us are clever enough to master all this. Even if we were, there would still be the difficulty of having to pay for this long, expensive education. Our parents may be poor, and we may have to begin earning some small wages immediately we leave school ; and if this be so, the chance of becoming doctors is soon lost to us. (Oh, the social waste of this, and the talents buried away in

jam-factories and behind the counter of the old-clothes shop—"a legion that never was listed, that carries no colours or crest," that has little chance of bringing home medals and decorations, and little hope of joyous adventures in the campaign! There, but for the whim of the Fates that "poured the harvest and made the winds to blow" march you and I, dear reader.)¹ But even among those who are clever enough to learn what is necessary, and well enough off to afford the training, there are sure to be some to whom the prospect of a doctor's life

¹ Some present-day writers content themselves with pointing out the obvious truth that those classes whose children have the freest choice of careers must have sprung in the main from strains which, by Natural Selection, have shown themselves the fittest-to-survive under present and bygone economic conditions; and are, perhaps, over-ready to assume that these must be the absolutely "fittest"—the stocks which it is most desirable should be adequately represented by their descendants in the future great City of Man. Such a view is, I admit, quite probably correct—in the main. But it is well to remember that the fittest to survive in primitive days were the unscrupulous, the cunning, and the physically strong (some of whose descendants now hold, in consequence of their ancestors possessing these shining qualities, many of the vantage points in the game of life as it is played to-day), and that just as other qualities than unscrupulous cunning and strength make nowadays for the success both of the individual and of the State, so also yet other talents, little recognised now, may come to be those most desired in the future. An Edison or a Darwin transplanted into Mediaeval Europe would have had little chance of achieving a blazing notoriety, unless, perhaps, at one of those crowded festivals at which witches and heretics were burned to appease the wrath of Heaven. We have only guess-work knowledge of the qualities that the New Republic of the Future will demand. Moreover we have yet little knowledge of the laws of inheritance in relation to the complex higher faculties among human beings.

is distasteful. They shrink from the thought of dealing with ugly diseases and wailing patients every day and night of the year. They prefer to earn less in what seems to themselves some pleasanter way. For all these reasons the number of persons who "supply" themselves as doctors is never so great as to bring the doctor's earnings down to the level of the earnings of clerks.

Each of us has his choice of trade or profession, at the time we are leaving school, narrowed down by differences in our strength, our knowledge, our cleverness, our habits of neatness and regularity, our trustworthiness, as well as by our personal likings for one kind of life rather than another, and also by our parents' ability to pay for the different kinds of training or apprenticeship that may be necessary. One boy may have big enough feet to hope to tramp the streets as a sergeant of police, and "strong and sinewy arms" to fit him to become a village blacksmith, and sufficient education to gain a livelihood as an ordinary clerk ; but not be clever enough with his hands to pull watches and clocks to pieces, and then put Humpty Dumpty together again in the jeweller's shop, nor blessed with the gift of patience and the nervous stamina that a schoolmaster must possess to carry himself steadily through his wearing round of ceaseless mental activity, —plotting, planning, worrying, from when he leaves his couch in the morning until he lays his weary brain on the pillow at night. ("Mill-hands' work from sun to sun ; teachers' work is never done.") Another, who is strong enough to work as a miner, is repelled by the idea of spending his working hours underground ; he would rather have a free and jolly time on board ship, even with half the pay—

playing about with buckets of tar, and dodging behind the ratlines to escape the curses of the bo'sun's mate. (Besides—"if love's the best of all, that can a man befall," why "they all love Jack!"). Each of us likes and dislikes the idea of different kinds of work. Each of us is hindered by lack of some quality—strength or taste or skill—from offering himself for the majority of trades and professions. And while we realise that what is necessary at the beginning of our earning career is to find the best "opening" into which a fellow can "fit in," we realise also that there is very little use in any one else pointing out to us the most beautifully round openings, if we happen, ourselves, to be equally beautiful square pegs.¹

Incidentally also we must make a passing reference, very inadequate, to the miserable wastage that occurs in so many lives—with wasteful results to the whole community—through insufficient comprehension, on the part of beginners, of the special qualities required, and the real inner shocks and strains to be faced, in the different careers that attract them. We never have adequate information as to what are the real conditions—how many stripes and disappointments, how many luscious thistles to be cropped—in the other donkey's paddock. We are always liable to be swept off our feet, say,

¹ Students of Economics will have met with the above in the usual text-books under such headings as "relative disutility of different types of labour" or "comparative net advantages of different occupations." We thought it advisable to leave out those polysyllabic expressions, and have supplied instead a certain amount of what Pooh-Bah describes with his usual lucidity and simplicity as "merely corroborative detail, intended to give artistic verisimilitude to an otherwise bald and unconvincing narrative."

by the brush of a Kipling, painting for us his glowing descriptions of life under tropical suns ; while we realise that, whatever happens, we shall never take up with our father's job, if it makes a fellow come home and behave like a bear as badly as *that*. American employers, it is worth noting, however, are beginning to save themselves, as well as their young applicants for posts, a certain amount of this waste—for example, in some of the telephone companies—by sending the would-be beginners to the psychological laboratories of the Universities, to be elaborately tested (even as they are beginning to consult the laboratory psychologists to find out, for instance, what are the best types of colour with which to decorate a factory's walls if the best muscular output is to be maintained).¹ Success or

¹ Did you ever guess that it could make a difference to your pushing and pulling power to the extent of 10 or 20 per cent. (I am not sure of my figures) according as your nostrils are surreptitiously invaded by odour A or by odour B—even when you are blindfolded, and the odour is introduced so gradually that you assert that you can smell nothing ? (This fact has some importance when one is planning the sanitary arrangements of a factory, and arranging for the disposal of smoke and similar bye-products.) A psychological laboratory is a queer factory for converting absurd little interrogation marks into the most delicious exclamation points. How much difference will it make to my lifting power if the wall-paper is coloured crimson instead of grey ? (Thunder ! who'd have thought it ?) " Every pleasurable and every painful experience has a direct reflex effect on the bodily functions and also on the action of the mind. . . . Pleasures actually cause the limbs to increase in size. With pain the limbs shrivel in size, and this is accompanied by a feeling of depression. . . . Pleasure assists the rhythmical action of the lungs and adds to the depth of breathing. Pain interferes with the rhythm of breathing, makes the lung action less deep, and gives a feeling of being stifled, hindered and checked in carrying

failure often depends, it seems, on the most curiously insignificant points in a man's make-up, such as only the expert can indicate to be present or absent. A laboratory of the kind mentioned ought to be endowed by the State,—almost as handsomely as if it were a new kind of torpedo factory. (This sort of thing is discussed, with practical illustrations, in Professor Münsterberg's *Psychology and Industrial Efficiency*.)

Moreover, when once a man is trained for one line of life, he seldom finds it easy, whatever his abilities, to reverse his decision and begin the game afresh. If I order over-night an egg for breakfast, and find in the morning that the cook has scrambled instead of poaching it—the egg is all there, just the same—there is not much use in my ordering her to unscramble it (while I wait), and to poach it instead. A trained engineer can seldom unscramble himself and reappear, nicely poached, as an eye and ear specialist or a naval lieutenant.

out our purposes. Pleasing experiences increase our muscular strength and cause us to feel like men. . . . Pain decreases muscular strength and gives us a feeling of weakness and lack of confidence." (From Dr. W. D. Scott's *The Psychology of Advertising*.) Novelists, dramatists, poets generally have inklings of this sort of thing. Of these, one can only do his best work if he is robed in a gorgeous Oriental dressing-gown, with hookah and fez to match. Another needs a solid gold fountain pen, with an inky-dinky ebony writing desk, and a "greenergy-yallery" bunch of aesthetic flowers at his side. But apart from these special cases, we all know, without any psychologists to instruct us, that the cultivation of laughter and friendliness, even in the narrowest sphere of economic activities, must help to make the world spin faster on its jubilant course, as it dodges the comets and sweeps round the sun.

But though the choice of a mode of livelihood is thus limited for all of us, the limitations are not nearly as galling as they were in the old-fashioned world, and still are in ill-governed countries. (It is not very safe to propose to open a coal-mine in China, where multitudinous devils live underground, and might escape if an impious miner dug far down. It is not very wise to publish a treatise on Economics in a country governed as Russia has been. In the mediaeval world it was not very wise to seek to leave that station in life where it had pleased Providence to place one—except, of course, to become a friar or a monk, and thus, making Humility young Ambition's ladder, mount to the bishop's throne, or a cardinal's seat in the councils of Kings.) Apart from the question of the expenses of early training it is no longer difficult for a capable youth to take up an occupation of a social grade higher than his father's,—even as there is no longer any ghost of a shadow of a grain of truth in the dictum of that observant sentry who stood on the Thames embankment (seven or eight centuries ago) and declared that every little boy and girl that's born into this world alive is either a little Liber-al or else a little Conserva-tive.

As time goes on, it seems the rule that the beginner's choice becomes freer and freer. It is easier now to work at a distance from one's home than it used to be, because travelling backwards and forwards (by tram or train or bicycle) is becoming cheaper and faster. (We observe the effects of this in the way that London has grown out spaciously in the last half-century. In Stuart times the workers were packed in its narrow twisted alleys like matches in a box. Now many of those who work in the City

come in to their daily round from suburbs perched on the white cliffs of the Sussex coast, or from a garden city at Letchworth.) Also newspaper advertisements and labour bureaux bring us news of openings that we should otherwise miss ; while school-training has become more adequate as a means of fitting us to enter, as beginners, a multitude of ordinary occupations. It is always (it would seem) becoming easier for the average man to offer himself for such kinds of service as the world demands, and that he can supply.

But not only does this matter of " supply "—the scarcity of people willing and able to serve as doctors, the multitudes willing and able to turn themselves into factory-hands—bring it about that doctors' earnings are greater than the earnings of farm-labourers, clerks or mill-hands ; it also has much to do with the question why one doctor earns more than another, and one bootmaker more than another. The supply of the more capable, sober, punctual, industrious, and trustworthy hands in a factory—and shall we add, of hands properly obsequious towards the newly-promoted foreman ?—is likely to be smaller than the supply of less satisfactory workers. The former therefore are likely to be better paid than the others—unless the attempts of trade unions to standardise rates of pay be unusually effective—or to be kept on when times are bad and many of the hands must needs be dismissed. (This, by the way, is a matter affecting only the individual worker's chances ; it has little to do with the forces making for much unemployment at one time—say, 1908 and 1909—and little unemployment at another—say 1913. We cannot dismiss the unemployment problem as a mere outgrowth of the evils

of idleness and drunkenness).¹ The supply of stupid, drunken, lazy, unpunctual, careless "wasters" is always more plentiful than employers would like; while the supply of the best types is invariably scarce. The more good points a man possesses, the scarcer will be the supply of men likely to be chosen in preference to him, or likely to be offered better pay for the same class of work. It is very much the same as the difference between cotton-goods and silk, or between grapes and gooseberries. It is only those who use their opportunities of joining the rarer classes—who set themselves to be specially desirable kinds of workers—always deter-

¹ Nor is the problem due to any permanent excess of labour-in-general (whatever that might mean), so that it might be permanently cured, as some fancy, by fostering emigration; though emigration, in certain special cases, may usefully serve as a temporary palliative. Unemployment, an ever-present evil in the industrial State, is due, in the main, to some maladjustment of capital to labour. One or other has got into the wrong *shape*. Too much capital has flowed into one industry, and not enough into another; too many men have trained themselves to do one thing and not enough to do another; and the evil is further complicated by the fact that we shift our custom capriciously from one employer (using one lot of machines and men) to another employer (using identical machines and men), and some of the machinery and some of the men must, therefore, remain idle. The evil consequences of mistakes due to the mal-investment of our capital are more serious than they used to be, owing to the immense amounts of costly apparatus into which our savings are nowadays converted. When our nest-egg of capital has been dished up for public use as an expensive railway, we cannot "unscramble" the railway and poach it afresh into a coal-mine. We have pointed out already how the same holds good of the trained human workers. (For further study of this question, Sir W. H. Beveridge's *Unemployment* should be read.)

mined to give the other fellow at least a trifle better value in output than he offers in wages—who can reasonably expect to find themselves among the successful players in the game. “ It is all a question of supply and demand ” ; and we make our chances stronger—load the dice in our own favour—if we join ourselves to those classes—the thorough, honest, skilful classes—the supply of which is always below the level of the world’s desires ; than if we drift aimlessly into the over-crowded cattle-pen where fret and bellow the second-rate loafers, the oxen that do the most dull and uninteresting, dirty and disagreeable, badly paid, commonplace hauling and pushing jobs. (See them there, jostling, and panting, and heaving and stamping—with scarcely a chance to escape for a gallop where the winds blow free through the daisy-strewn meadows of joyous success !)

Most securely placed of all perhaps are those who have been fortunate enough, or far-sighted enough, to acquire a knowledge of several alternative occupations—writing for the papers, say, while reading for the bar, or gardening and grooming, as well as waiting in an inn. For these can supply themselves in several different quarters whenever an attractive demand in the form of higher pay is forthcoming. But such all-round players in the game are rare. (In families, however, the members of which stand together in rainy days and sunny days—lending each other a macintosh or a sunshade at every change in the readings of the trade barometer—the same sort of security is gained if, though none of their number is a Jack of All Trades, there are as many different ways of earning as there are brothers and sisters. Similarly the family that

can grow its own vegetables, keep its own poultry, do its own mending, cooking, paperhanging, laundry-work and boot-blacking, really earns more than the family that has to pay outsiders to do these jobs ; and is more secure when the watchman at the Board of Trade declares that times are bad.)

When a boy leaves school and starts to earn his living, his choice of a career depends partly on the kind of service that he is willing and able to " supply," and partly on the openings there may be near at hand just at the psychological moment—or in other words, on the kinds of workers that employers in the neighbourhood " demand." But what kind of workers employers are likely to demand depends on what kinds of things people are willing to buy. (They would not, for instance, demand more learners for the work of making wooden clogs in a district where folk are discarding clogs for leathern boots.) And so, by the ways in which we all use our spending power we help to determine, in this curious world of ours, two very important matters. We bring it about that there is more work for some groups of workers to do, and less for others ; and thus decide that some undeserving people may earn five hundred a year, while others of a much more deserving kind are getting only fifty. But as this leads larger numbers of beginners to enter one trade than another, we are helping to decide how many of the world's workers shall become coal-miners, how many farm-hands, how many clerks, and so on. For if we want more coal than hitherto (because, let us say, we are using more coal to drive our ocean greyhounds and to keep the wheels whirling in all our busy mills) we must needs offer more for it, and this will induce mine-owners to offer more pay, or more

regular work, or pleasanter conditions of employment to miners ; and men will become coal-hewers who might otherwise have lived all their lives out on the grassy platforms of the upper world beneath the breezy sky.

These consequences of the ways in which we direct our expenditure are often very important indeed.

When we insist on buying things that can only be made by dangerous and disagreeable work being done (as in certain kinds of pottery making, which give rise to diseases among the pottery hands) we are helping—unconsciously no doubt, and perhaps in spite of ourselves—to spoil workers' lives. It is not often, however, that we can find out the special facts that we might wish to know, without taking more time and trouble than can, perhaps, be reasonably expected of us.¹ But when we pay to see specially dangerous performances of acrobats, toreadors, animal tamers, aviators, and so on, we are encouraging our neighbours to risk their lives in order that we may enjoy the pleasure of a selfish thrill.

In the same way when we allow ourselves to be persuaded into buying from certain shop-keepers through swallowing the falsehoods they post on the advertisement hoardings, instead of judging by the real quality of the wares they sell, we are helping good *advertisers* to succeed, and keeping back the good captains of industry who devote more attention to the real worth of their goods. Have you ever stopped to analyse the reasoning employed in any familiar advertisement ? If you try it, you will

¹ Mr. H. G. Woods, in his *Personal Economy and Social Reform*, has something to say on this point.

soon find it a most amusing task. Thus—the “body building power” of Xerxes’ famous food has been “proved to be twenty times the amount taken.” Does this mean that if I eat one ounce of the famous food I absorb twenty ounces of body-building power, or that if I eat a cubic inch of it I am getting twenty cubic inches of this desirable commodity? Anyhow, what *is* an ounce, or a cubic inch, or an acre (if you like) of body-building power? My own imagination fails to persuade this weird wild-fowl (or chameleon, is it?) to assume any form more capable of being photographed than the stuff that dreams are made of. (Perhaps, after all, I only dreamt that advertisement.) It is this sort of harmful folly on the part of multitudes of buyers that enables gaol-birds to flourish by the provision of quack “medicines,” which create a score of ailments for each ailment that they cure, and go forth, like the Israelite of old, to slay their tens of thousands—if not of human lives, at least of healthy moments between the cradle and the grave. (For many amusing illustrations of the wiles of advertisers and of the ways in which the least gullible of us are perpetually, without our guessing it, being gulled by advertisements, the reader should consult Dr. W. D. Scott’s *The Psychology of Advertising*—an instructive book.)

Even in the case of beggars and thieves very much the same general principles (the laws of supply and demand) will be found to hold true. For if we give carelessly and freely to street-loafers, it soon becomes evident to their companions that begging is a remunerative occupation. (There are even, in London, flourishing captains of industry who hire out assistant beggars at a regular weekly salary to

gather in subscriptions, carefully recorded by the generous donors on the collectors' cards, to be given to bogus charities.) Thus by our easy-going slackness we tempt those who otherwise might have been self-respecting workers to live on the bread of idleness. When we visit countries like India, where idleness is an absolutely essential ingredient of every one's idea of holiness, and giving to beggars is applauded as a religious duty, and beggars therefore are as much in demand among all seekers after the blessings of Heaven as the "snowy-banded, dilettante, delicate-handed" curate is among the ladies who dwell in the world of fashionable English piety, we notice that beggars swarm wherever we turn. Similarly, in countries where the police arrangements are notoriously defective, so that it is relatively easy to make a livelihood by simple criminal methods, we find that criminals thrive. The supply of beggars and criminals swells or diminishes much as does the supply of dentists or of cycle-makers.

We get, in fact, just as many beggars as we show that we want by choosing to pay for them, even as we get as many cycle makers as we want. We purchase a bicycle by giving £20 to a cycle-maker, and so increase for some one the opportunities of getting a living as a cycle-maker. We purchase a glow of self-satisfaction by giving twopence to a beggar, and so increase for some one the opportunities of living as a self-satisfaction-maker. "It is all a question of supply and demand." ("But then," interjects a critic, "*am I my brother's keeper?* Why shouldn't I enjoy two-pennyworth of the tonic of self-satisfaction, when I am feeling dull? That's what the beggar's *for*." Well, partner in our little

game of life, "I leave it to you" to decide. . .
"Hearts or spades?"

Let us consider now an important point with regard to the quality of industriousness. Of its value to the community at large there can be no question; and also of its value to the industrious individual who through his perseverance is likely to rise above his easier-going fellows. But we notice that the very hard worker in a factory is seldom popular. For the idea is commonly held that the man who does more than he need is not "playing fair" to the rest. If he does more than he need (his fellow-workers feel) there will be less left for them to do; and some of them, therefore, are the more liable, through his excess of virtue, to be "done out" of a job. Quite unselfish workers feel this, as well as men of baser breed. So the point is worthy of close examination.

Let us then take a special case, and consider what is likely to happen. On a certain private estate there are (let us say) twenty gardeners employed; some of these begin to work harder than has been the gardeners' custom; the owner of the estate finds that nineteen men are all that he now requires to keep the estate going; and one unfortunate gardener—most probably the fellow who "sauced" the head-gardener about grafting pumpkins on a blackberry bush—is now dismissed.

Evidently somebody must be the gainer by the amount of this dismissed gardener's wages, which have no longer to be paid—for the same total amount of gardening service is being performed as was performed before. If the nineteen remaining gardeners get the same pay as before, it must be the owner of the estate who gains. If on the other hand the men

are granted a rise because they are doing better work, it is the gardeners who gain. Now what are the consequences of this gain,—whoever it be that enjoys it in the first instance? Those who have gained, estate-owners or gardeners, must either spend more or save more. The benefits to other workers in the country from the increase in saved wealth (or capital), through its increasing the demand for labour, have been pointed out at length in Chapter III., pp. 72-74. We need not repeat the arguments of that chapter here. Either machinery, in the broadest sense of the term, or raw materials will be bought with the increased wealth placed in the hands of bankers or joint-stock companies by the men who have gained; the production of such apparatus or raw material and its transportation and so forth will involve employment for certain wage-earners; and the apparatus and raw material will be used in giving employment in the future to yet other workers. Similarly, though not usually with the same beneficial effects, if the gains be immediately spent (in the more ordinary sense of the word "spent"), goods or services are bought which must be supplied by some groups of workers. In either case at least as much is spent in employing some kind or other of labour (including, of course, shop-keepers' labour, doctors' labour, and any other form of productive activity) as was spent by the estate-owner in employing the superfluous twentieth gardener.

Strange as it may seem to those who have not considered the matter carefully, the more work of a useful kind there is done, and the more wealth there is produced, the greater will be the demand on the part of employers for yet other work to be

done. The country as a whole, and the working classes as a whole, must gain whenever more wealth is produced. There is *not* a fixed stock of jobs raining down from those platforms in the sky where the wealthy employers

"Lie beside their nectar, and the clouds are lightly curl'd
Round their golden houses, girdled with the gleaming
world."

It is *workers* (or savers) who make opportunities for workers—not the luxurious and idle folk who shrink from bestirring themselves lest the other fellows should have too little to do. What happens, in fact, is very much the same as when new types of machinery are introduced. Some workers may at the moment lose their employment, but more employment is created than there is employment taken away. (See pp. 40-45).

Loyalty to the special interests of a small group of fellow-gardeners might quite reasonably, we admit, hold back an unselfish gardener from doing more than just enough to protect himself from dismissal. But loyalty to the interests of the whole mass of the nation's workers—farm-hands, mill-hands, domestic servants, and so on—would stimulate him rather to make increased exertions.¹

¹ After clambering up that "monkey-puzzler" to pluck the fallacy out of its top—economists call it "the Lump of Labour Fallacy," or, when they are in a more dignified mood, "the Fixed Work Fund Theory"—we ought, for symmetry's sake, to give a passing reference to its twin-brother, the rich man's fallacy, called "The Wages Fund Theory." We cannot honour it with a more exalted place than a footnote to the page; for it is a very brown and withered fallacy, only clinging to a precarious existence now in a few of those baronial halls where one still hears "the moan of doves in immemorial elms," and the respectful

This illustration has been carefully selected for the purpose of meeting the most difficult type of case—the case where the employees produce nothing that other wage-earners buy. We shall get something much more typical if we pass out of this lordly estate, with its spacious gravelled walks, its lilyed ponds, and splashing fountains ; and letting its coronetted gates clang behind us (while the lodge-keeper's supercilious eye takes contemptuous note

murmuring of innumerable flunkeys. It was a very live sort of mistletoe once, however, when respectable people brought it home at every election time to deck their walls with, or waved it triumphantly in parliamentary debates—as a magic charm to keep those wicked trade unions from springing up to blight the land. According to this theory the average wage depends upon the number of workers and upon the amount of capital that the kind capitalist graciously places at their disposal to make things with.

Now, what workers get certainly does depend largely on what they produce ; and how much they produce does depend largely on the amount of capital available for them to use. But we cannot calculate the average worker's wage by such a simple piece of arithmetic as the jotting down of a thousand million pounds of capital as the Dividend and ten million workers as the Divisor, and giving the answer as a hundred pounds apiece ; and then, to make the conclusion a little more realistic, slipping in a few unobtrusive words of explanation—" £100 a minute " (if we are in an optimistic mood), or " £100 a lifetime " (if we are thinking of to-morrow's visit to the dentist). It is a very pretty piece of arithmetic, no doubt, and quite useful when one is talking to a submissive muddle-headed man to persuade him to work hard and pay all the taxes thoughtfully laid upon his shoulders (where they don't hurt very much)—instead of asking to have them paid by the wealthy folk who would have to draw the money out of the Wages Fund to meet the tax-gatherer's claims—and where would the industrious worker be then, poor thing ? . . . No, we can't waste space in exposing the architecture of antiquated mouse-traps of this description.

of the cut of our country-made clothes) find our way to some grimy coal-mine and clamber down its shaft (while the engineer's back is turned) to see what may happen there.

If through working less energetically or more wastefully, the coal-miners brought it about that very many more hands would have to be employed to maintain a given output of coal, coal must become more costly to produce and its price must rise. The working classes would in consequence suffer doubly and trebly. For, not only would they have to pay more for the coal they burn in their homes, but the mills and factories that use coal in driving their machinery would see their prosperity relatively declining, and less therefore could be offered in wages to factory hands. Factory-made goods would be liable to become dearer. Gas would rise in price. Steamships would cost more to keep going, and we should have to pay rather more than before for the food supplies and raw materials that these floating factories gather in for us from all quarters of the globe (often after the goods have made long journeys in America or elsewhere on coal-driven trains).

All this should help us to an understanding of one of the central facts of modern industrial life, a fact which both employers and the well-to-do classes, on the one hand, and the wage-earners on the other, are very prone to overlook. It has been pointed out that when employers in one industry gain by the introduction of new methods, practically all workers(employers and employees) outside this industry may be expected to gain. But when in any one industry (say, the railway industry) the wage-earners succeed in making the employers give them

better pay, gains and losses are likely to be unevenly distributed among wage-earners and employers in other occupations. For if the guards and porters get higher pay, and their employers (the railway shareholders) get smaller profits in consequence—provided the railways do just as much business as before, without charging more for their services to the general public (mainly, of course, the working classes whose factory materials and whose ordinary goods, in various stages of completion, are carried by train)—it merely means that the railway hands have more to spend than before and the shareholders have less. This is likely to benefit both employers and employees in the boot-making trade, the breweries and the woollen industries, whose products are mainly bought by the wage-earning classes ; for while the railway hands will spend a little more freely in these directions, the better-off shareholders will spend on these about as much as they spent before. These better-off people are much more likely to curtail their expenditure on such things as silk dresses and motor-cars, with the result that employers and employees in *these* industries will be worse off, as well as such people as chauffeurs, valets, and butlers.

There is therefore—and this is the important point—no real division of the players into two opposing teams, with all the employers on one side and all the wage-earners on the other, the one always gaining whenever the other loses. But, rather, there are always a great many detached struggles perpetually going on in each separate industry, the employers trying to get higher profits out of what they and their hands produce in common, and their hands trying to get higher wages. When the wage-earners win

in one of these many struggles, both employers and employees in some other industries (say, in the boot-making trade) may be better off—though hardly so if the wage-earners' success is unwarranted by the conditions of the time, and in consequence some of the more struggling employers have to abandon their efforts to keep men employed and all the employers have to charge more for their goods. But both employers and employees in yet other industries (say, the motor industry) are likely to suffer. Similarly when the employers get the upper hand in one of these separate struggles, boot-makers (employers and employed) are likely to be worse off, and silk dress makers (employers and employed) to be better off. There is, in short, no such thing as Marx's "class war" being waged between employers in general and wage-earners in general—or, as the leaders in these struggles usually describe it—a war between Capital and Labour. It is largely this delusion—the idea that there is a permanent and inevitable conflict of interest between the whole class of employers and the whole class of employees—that lies at the basis of the policy of the "sympathetic strike," under which one group of employees attempts by ceasing work to give support to strikers whenever there occurs an industrial dispute with which the former are not directly concerned.

Nevertheless the "sympathetic strike" in one vital respect *does* resemble war. For, in the intricately interwoven network of the modern world's activities, even though it may not be a crime, the sympathetic strike has become (as a general rule) something much more serious. It is now—a colossal blunder. Wage-earners have many interests in common, and trade unions can forward them in

many such ways as were indicated in the footnote to p. 86. But a sympathetic strike is rarely, and a universal strike still more rarely, likely to be of more benefit to the wage-earners as a class (apart from political effects in a non-democratic country) than a universal lock-out would be to their associated employers.

But it is time we touched on the question—why do those pampered employers get such preposterous incomes as compared with the pittance of the working men?

The average employee is always raising in conversation with his fellows that eternal question.

“ I was born free as Caesar ; so were you :
We both have fed as well ; and we can both
Endure the winter’s cold as well as he.

. . . And this man
Is now become a god ; and Cassius is
A wretched creature, and must bend his body,
If Caesar carelessly but nod on him.
Why, man, he doth bestride the narrow world
Like a Colossus ; and we petty men
Walk under his huge legs, and peep about
To find ourselves dishonourable graves.”

Well, to begin with, are “ profits ” on the average so much higher than “ wages ” on the average ? To strike an average we must take every profit-hunter into account ; just as, if we are asking for the average incomes of people who are called to the Bar, we must add together not merely the incomes of the Lord Chancellor, the Judges of the highest courts, and the people who “ swank round ” in the silken gown of the K.C.—we must remember also the hordes of briefless barristers dwelling like bats in the nooks and crannies of Lincoln’s Inn Field and other places where creatures of this species

make their nests. Does the average small employer flourish exceedingly anywhere? In this country in the years before the war there used to occur some six or seven thousand bankruptcies per annum, and a large percentage of these must have been unsuccessful employers; and though, during the war and the post-war period, the number has greatly fallen—as a consequence mainly of the rising movement in prices (itself mainly a consequence of the expansion of paper money) this is probably only a very temporary effect of passing conditions. For the time being, the profit-making class could scarcely fail to make unusual gains, and only the most exceptional blunderers would be forced to drop out of the ranks between 1915 and 1920. But unless prices continue to rise (as the result of further inflations of currency) the day of easy “profiteering” may be assumed to be practically over.

The “profits” of the employing class, like the wages of the butcher, the baker, and the candlestick maker, depend ultimately on the law of Supply and Demand. The law here does not work quite so smoothly as in the field of manual labour. This is partly due to the difficulties that often hinder outsiders from entering the class. It is partly due also to the unwavering determination of most employers to conceal their real incomes from the inquisitive, whereas wage rates are usually fairly well-known market figures. When an employer is undergoing rough experiences in his profit-hunting campaign, his natural tendency is to motor round the town in the most jaunty style with an expensive cigar in his mouth. By so doing he may lull the suspicions of his creditors. When he is jubilantly gathering in the shekels, he may think it advisable to go afoot

in a shabby suit, and talk of "hard times." By so doing he will be less likely to attract the attention of the treasurer of the local hospital and similar annoying people, such as the tax-gathering officials ; he hopes that he is discouraging would-be competitors from entering into the trade to share in his gains ; and he wishes also to plead poverty if he is confronted with demands for higher pay from his employees. And so, though high wages in any one industry may be expected to attract many new learners and so increase the supply of available hands, high profits may be sufficiently well concealed to enable groups of business men to reap semi-monopoly incomes. One never *knows*.

But the ability to manage large businesses successfully does really seem to be rare. We cannot be quite sure on this point, any more than we can guess within a thousand or so how many Tommy Atkinses in our army ought to be carrying field-marshals' batons—potential Marlboroughs and Wellingtons. We cannot be sure on the point, because the opportunity of acting as a great captain of industry seldom, in this country, comes now to any one who has not been born into a moderately wealthy circle. A great deal of such talent may be lying latent in the working man's quarter of the town.

This the working man, in many cases, rightly or wrongly, believes. And either imagining that managing ability is a matter of trivial importance, or fancying that the particular set to which he himself belongs possesses it in the fullest measure, he has sometimes combined with his fellows to set up a certain type of co-operative workshop.

The men who set such a workshop going believe that the richer classes have got what may be called

an unfair monopoly of managing positions. One method of carrying out their plan would be for the workmen to put their savings together, borrowing more if necessary (and possible) on their joint credit, and appoint their own manager, or managers, to whom would be paid a definite salary out of the profits of the business, while the manual workers divide what is left. (This reverses the customary arrangement by which the hands get fixed wages, and the business manager takes the uncertain remainder.) But in making this arrangement the manual workers almost invariably underpay their manager. They are perhaps inclined to think too much about what seems on the face of things to be *just*; and seeing that the manager's task is lighter and pleasanter than their own, they are unwilling to offer him more than, say, three or four times as much as they expect to earn themselves. But, if the man they choose is a successful type of manager who judges almost unerringly how and when everything should be done—the buying and the selling, the scrapping of old machinery and the adoption of new, the advertising, and so forth—he is not likely to be content with such a rate of pay, and may be expected to grasp the first opportunity to leave the co-operative group and set up a business of his own. Cooperative workshops of this kind have rarely proved successful; perhaps because managing ability is, after all, scarcer than most people believe it to be.¹

¹ This type of co-operative workshop springs up, though it seldom flourishes, within the existing social system. An interesting extension of the same principle, which, however, could only be established by revolutionary action (a fact recognised by its advocates, who tend to advocate and adopt measures of violence to promote their aim), would be the

If it were not for this scarcity of proved managing ability, the co-operative workshop would have many advantages over rival businesses. For, as the men are working to make profits for themselves, they are likely to restrain one another from idling and to aim at avoiding waste of time and material. But, except in the case of co-operative stores for the *sale* of goods made elsewhere, working men's co-operation has seldom been very successful. Co-operative workshops usually fail, as we should expect a football team to fail, if it had no captain, or if the players believed the captain's orders to amount to nothing more than an ornamental flourish to advertise one not particularly good player's vast self-importance.

The so-called "co-operative workshops" owned by and producing goods for co-operative stores are

taking over of *all* the apparatus and organisation of each individual trade by the different trade-unions whose members are at present the paid employees of private enterprise. If this ideal could be attained—all the coal-mines being owned and run by the miners' union, all the railways by the guards and porters, etc.—the aim of each group would seem to be (1) to purchase all goods and services from outsiders as cheaply as possible; (2) to sell its own products or services as dear as possible; (3) to limit as far as possible the numbers of its own union who would share in the spoils. One can imagine the youthful beginner wandering round from union to union, knocking for admittance at closed doors, during a slack time when, let us say, the coal-miners were refusing to supply coal to the railway men at ordinary rates unless the railways granted specially low rates on the carriage of coal, while the railway men were refusing to carry coal for the miners unless they got their own coal for locomotive use at half-price. The difficulties of a State where such a scheme (usually known as Syndicalism) should be operative seem insuperable;

of a different type. They flourish; and their success is not a matter for surprise. These, however, are not owned and controlled solely by the workers who produce the goods.

Co-operative activity may be expected, however, to serve very useful ends. It brings ordinary wage-earners to learn more about the interesting problems of management, and perhaps tends to make managing ability less scarce. If it became much less scarce than it now is, individual employers would be less likely to make huge profits, while the nation as a whole would be likely to progress in wealth much faster.

In contrast with this early type of co-operative workshop, we find that co-operative stores for the sale of goods flourish, and their days promise to be long in the land. Why?

When we make our purchases in an ordinary shop, we have to pay a price for our goods such as will enable the shopkeeper to obtain what, according to his own estimate, is a living wage. For we are buying the shopkeeper's services, as well as the services of those who, in the popular sense of the word, are the "producers"¹ of the goods. But many

¹ Who, by the way, is the "producer" of the coal on the fire near which I am sitting? The muscular person who hacked it out of an underground seam? The man (or is it a boy?) who took it on a truck to the foot of the shaft? The person up above who turned the windlass? (We assume that it wasn't a very deep mine.) The grimy worker with the shovel who flung it on the cart in the intervals of discussing Lloyd George's latest proposals? The carter who drove the cart down towards the Newcastle wharves? The policeman outside the public-house where the carter stopped, who grunted, "Get a move on yer, then! What are yer blocking the traffic for?" The stevedores at the boat? The sailors "who threshed the Bolivar out across

of the goods in the shop may never be sold at all. If it is a butcher's, it will occasionally happen that some of the meat goes bad, and unless the butcher is a *very* great friend of the inspector, *that* won't be sold. If it is a fancy-goods shop, some of the trinkets in it please none of the customers, and remain on the shelves, until one of the shopkeeper's personal friends gets married. The shopkeeper must take all this into account when he fixes the price of the goods we actually buy. And so, it may be said, we pay not only the prices of what we buy, but also our share of the price of the goods that nobody buys. In most shops, also, not all of the goods are sold "for cash." The shopkeeper allows customers to get into debt with him, and customers are sometimes forgetful. This, too, the shopkeeper must take into account when he fixes in the window the tickets that state, with the finality and unchangeability of the laws of the Medes and Persians, the prices of everything on view. And so it comes about that we pay not only for what we buy, and our share of the price of the goods that nobody buys, but also our share of the price of the goods, which, though "bought," nobody pays for. Besides this, we must also pay our share towards the rent of the shop, towards the cost of

the bay"? The employees of the London wholesale coal-dealers? The railway hands who brought it to the local coal stores? The man who brought it round to the door? His assistant who sent it in a rattling avalanche down to the coal-bin in the cellar? The boot-boy who carried it, wearily, upstairs to the coal-scuttle? The maid who put it in the grate? . . . Why, not one of them all did more than *pass it along!* The real thing that was to be produced was the warmth of the fire. *I* produced that, with my little match.

the gas that lights it in the evenings, towards the errand boy's wages, and towards the cost of the advertisements that the shopkeeper puts in the papers or on the street hoardings ; and also, if the shopkeeper generously offers free gifts or prizes to the customers who bring in so many hundreds of his "coupons," we must pay for these prizes also—for very few shopkeepers are kind enough to give us something for nothing.

Suppose, however, that a number of us, who are always buying the same sorts of goods, agree to start a shop for our own use. (Tennis and golf clubs often do this and sell such articles as clubs and balls to the members who constitute them. Schoolboys with a common taste for sweets sometimes do the same, and call it "our tuck-shop.") We can hire an old, dingy barn in a back street, instead of a bright-looking building in a busy thoroughfare. For as we are going to be the customers of our own shop, we know where to find it, and do not mind the trouble of going to it. We shall not have to spend on advertising in order to persuade the customers that our goods really are better than Jones's ; for we ourselves are the customers and we know quite well the goods are much better than Jones's. We shall also, perhaps, keep the shop open in the day-time only, and thus we shall not have many quarrels with the gas company about the falsehoods told by the gas-meter. We shall all pay cash for our purchases, and no one will be allowed to tell the man at the paying desk that old story about having left our purse on the mantelshelf in the kitchen. (This also will lighten the expenses of book-keeping.) We shall all agree to carry our own purchases home with us ; and thus we may manage without a

shop-boy to run out with the various packages and get chased all round the suburb by the youth who didn't like the shape of his grin. And if we keep in our shop only such goods as we all of us buy—*useful* goods, not the absurd things the woman next door buys to show how much more fashionable she is than *our* wife—very few of the goods need remain unsold.

When we have made arrangements of this kind we have started the right kind of co-operative store ; and it ought to be able to sell us our goods cheaper than Jones's shop does ; or if it sells them at the same price as his, it ought to be able to bring in a much greater profit for its managers—for us, that is, who are not only its managers but also its customers. In fact the co-operative store generally proves so great a success that it grows tired of being merely a co-operative store, and, without changing its name, moves into new premises in the High Street, advertises in the papers, hires a lot of assistants and shop-walkers who must be kept ostentatiously on the move when custom is slack—rolling and unrolling and rolling up again great lengths of cloth, and shouting remarks along the speaking tube—and stocks all sorts of speculative goods which, before it back-slid, it vowed never, never to have anything to do with.

The co-operative workshop seems to wither away because the kind of managing ability it requires is relatively rare. The co-operative stores are a success because everybody with a memory and a knowledge for arithmetic can keep them going, well enough.

The widespread adoption of the principles of co-operative shopping, moreover, would probably lead to a cheapening of such goods as large numbers

of us habitually purchase, and raise the prices of those goods of a more speculative type which are called for only by the occasional customer's caprice. This, moreover, would probably lead to steadier employment in the industries that produce the goods. (In speaking of the co-operative principle we are not referring to the mammoth stores that have grown out of their original purely co-operative shape and have become merely speculative competitive shops catering for all sorts of customers,—though these also seem a desirable outgrowth of recent competitive activity; for few kinds of service involve more waste of human lives, of ability and energy, than does petty shopkeeping—to say nothing of its demoralising effects on shopkeepers who find it necessary to cringe and lie to please their customers.)

We have aimed in this chapter at giving a rough idea of why men's incomes (exclusive of "unearned" incomes) differ so much. But it is by no means true that men are paid, or can expect to be paid, as they deserve. How much, for instance, does a South African miner, trying, during recent disturbances, to raise his pay with dynamite, deserve to get as compared with the Basuto he kicked to death? I am not suggesting that he doesn't deserve more. But how much more? Supposing his employer gets ten times his income, does that mean that he ought to get twenty times the Kaffir's income? It seems rather a difficult problem to solve by "Rule of Three."

" See how the Fates their gifts allot,
For A is happy—B is not.
Yet B is worthy, I dare say,
Of more prosperity than A !

If I were Fortune—which I'm not—
B should enjoy A's happy lot,
And A should die in miserie,
That is, assuming I am B."

What is of more importance for the person who wants to "get on" than debating insoluble questions about desert is to snatch opportunities of becoming one of a class of workers the supply of which is always likely to be growing more slowly than the demand for its services grows. The kinds of work that require much training, or natural skill, or artistic taste, or great physical strength, may be out of our reach; and if so, the higher incomes may be out of our reach also. But within the more ordinary classes of workers where there never seems any scarcity of men capable of doing all that is required, there is always a scarcity of workers whose favourite tune is "Something accomplish'd, something done, Has earned a night's repose." "There is always room at the top." And though, by climbing to the top in the more ordinary classes of work, a man may not be able to earn much more than his former companions on the slopes a little lower down, still there's a breezier outlook up there, and a man, somehow, feels safer. When times are bad and the foreman has to turn some of the "workers" off the premises, he generally begins with the handiest hands,—those down below,—and seldom takes the trouble to climb up to those slightly higher levels where the consistently reliable workers have staked out their claims.

Very few people who have thought carefully about the matter would assert that the system we have described is at all a *just* system. It is better than a just system, however; it is a system that

works. And, strong as the professional student's natural bias may be in the direction of welcoming any juster scheme of social arrangements that has been suggested by socialistic reformers, he seldom finds on closer examination any other system that looks, however pretty the designs on the clock face may be made, as if it could possibly work.

. It *isn't* just. It continually happens that men who are getting first-rate incomes (managers of big businesses, doctors, engineers) thoroughly enjoy much of their work, and would beg to be allowed to go on playing,—“for love” (as they say in some other kinds of games), if they weren't allowed a chance of cash winnings,—so absorbingly interesting do they find their part in the Game of Life; while conscientious plodders, tramping through a daily treadmill round of wearisome dullness, may be getting barely enough to buy butter to spread on their bread. In fact it seems almost a law of business life and professional life that one cannot achieve a good income unless one thoroughly enjoys a large part of one's earning work; and successful people, if compelled to retire, are often as miserable as schoolboys whom a hard-hearted schoolmaster has forbidden to join in the games of the school.

The Game of Life is full of such injustices which one would be glad to see remedied. But if we attempted to revise the rules with regard to earnings, saying that each player must be remunerated in accordance with the hardness or the disagreeableness of his work, or according to the industry and good intentions which he displays, we should run the most serious risks of killing all sorts of incentives to keep the world on the move, and thus of making everyone of us very much worse off than at present.

And so, the best working definition of what constitutes a "fair wage" for any group would seem to be such a wage as enables things to work most smoothly for other groups of workers—a wage that attracts the appropriate number of the appropriate kind of workers into the group in question, and so enables its output of services to fall into equilibrium with the output of other groups. "Let justice be done, though the skies fall!" cries the orator on the tub in Hyde Park. For my part, I should prefer the sky to stay where it is, even if we have to put up with many injustices. Let the prosperous rogues keep what they are not justly entitled to! Verily, verily, we too have our reward.

CHAPTER V

THE BOARD ON WHICH THE GAME IS PLAYED

(*A Fragment from an Ancient Manuscript*¹)

"Then let him who ventures on the quest for true wisdom be single-minded, with the concentration of a sitting hen or of a cat watching her prey."—*Kaibara Ekken (Wisdom of the East)*.

ONCE Upon a Time, in the Benighted City called Good Intentions, in the Kingdom of Nowhere (Situated, I am told, in Latitude 95° N. and in Longitude 183° W.,—only a Very Large Scale Map will show it), there had been a Custom, handed down from Time Immemorial, that All Shopping should be Carried On by means of Hawkers' Handcarts. For the Wisdom of the Elders had Decreed that Fixed Shops were Unsightly, Undesirable, and Inconvenient for the Customers. There was likewise a Law—the origin of which I know not—that

¹ The problem to be dealt with in this chapter being immeasurably more difficult to treat than those dealt with in the rest of the book, the author would have preferred to omit its discussion entirely, especially as it is seldom necessary, for practical purposes, that the novice in the game should trouble his mind by pondering deeply the laws of rent and landlordism. For symmetry's sake, however, he has decided to insert this brief excerpt from an ancient manuscript, together with a preliminary recommendation to the novice to pass it over unread. The reasoning involved is much more difficult than that of the preceding chapters;

no Hawker should be allowed to own his Own Handcart, but each must Borrow one, Paying an Annual Charge to the Dealers who Hired Them Out. The Handcarts were Supplied by the Dealers in Open Competition ; but All were Built after One Accepted Pattern. And under the Beneficent Working of the Law of Supply and Demand—which holds good even in the Planet Saturn—the Annual Rent paid over to the Dealers worked out at £25 per annum. For Each Cart cost £100 to build ; £15 a year was found sufficient to cover both the Interest on Builders' Capital and the Builders' Profits ; and as Each Handcart had, on the Average, a Life of 10 years before it was thrown aside, as Worthless, on the Dealers' Scrap-heaps, £10 was Written Off the Original £100 each year, as being what the King's Economist called "Annual Depreciation."

Now the Hawkers observed that people especially Congregated at a spot called "Market Square," in the centre of the High Street ; and that when their Carts passed through the High Street and the Square, their Customers were more Numerous, and their Gains accordingly Greater. So they tended to Linger there, blocking the passage of the Modest Pedestrian and of the Wealthy Motorist alike, in spite of All the Efforts of the City Watchmen, who Chivvied Them On. And often the Watchmen brought them before the City Magistrates, who Fined them Perseveringly for Obstructing the Traffic. But the More Sagacious Hawkers saw that it was More Profitable to Incur the Fines than to Forgo the Custom of the More Crowded Thoroughfare ; and so they continued to Break the Bye-Laws, and Humbly Pay the Fines. But One Hawker, Shrewder

than the Rest, having made Most Careful Computation of the Difference in his Takings when he Loitered in the Square and when he Toiled Through the Less Frequent Side-Streets, Approached the City Fathers with An Offer. If they would permit him, by Grant of a Special Licence, to Nail his Handcart down in Market Square, at a spot Midway between the Common Pump and the Stand from which the Suffragettes addressed the Ratepayers of the City seven evenings in the week, he would Compound for the Irregular Fines the Magistrates Levied, and thus Save Trouble for Himself and Them, and likewise for the City Watch, and Pay, instead, an Annual Fine of £50 a year. After "Great Argument About it and About," the City Fathers Experimentally Closed with this Offer. And Immediately they were Deluged with Similar Propositions. One Hawker offered £49 a year for the Site on the Other Side of the Suffragettes' Platform; and one bid £48 10s. for that which lay Beyond the Common Pump. And after Many Licences had been Granted, the Corporation Commanded that *All* Handcarts must be nailed Down, the City Surveyors being Instructed to Hold Forthwith a Court, where the Hawkers should attend and bid, one against another, for the Remaining Vacant Spots. And Presently, in place of Processions of Moving Shops Perambulating the Streets, there stretched from the Common Pump—along the High Street, and the King's Parade, the Lovers' Promenade, and the Open Road that leads to the Schools—Four Radiating Lines of Stationary Handcarts; and for the Right to occupy each Site an Annual Fine was Levied, varying from £50 at the Centre to Sixpence-Ha'penny at the Circumference.

But One Hawker, who was more Dilatory than the Others in his Attendance at the Surveyors' Court, could find no Empty Corner for the Right to Occupy which he would Consent to Pay even 6½d. ; and Him the City Fathers Graciously Permitted to Nail down his Cart without Paying even a Farthing. For if they would not Grant him This Permission, he declared that he would Return his Handcart to the Dealer who Supplied it, and *make his living as a Schoolmaster instead* ; and as the Mayor was Himself the Dealer who Supplied the Cart, and likewise a Respected Member of the School Board, the Licence was Duly Granted. And the Spot where the Cart was Finally Fastened Down was named by the King's Economist "The Marginal Plot," and thus it is known in the Books of All the Economists ever since.

Now there were Many Wise Heads in the City of Good Intentions who Protested against All these Proceedings, Raising a Great Outcry, that if the Poor Hawkers had to Pay These Fines "Their Goods Would Cost Them More." But as Time Went On, the Royal Statisticians found that it was Not So ; and the King's Economist Enunciated a Law at which the Public Mocked, Namely, that "Ground Rents Do Not Enter Into The Prices of Goods Sold In Shops." And Thenceforward, Many Likened the King's Economist to the Royal Astrologer, who had Excited their Merriment Aforetime by Affirming that "The Earth Is Round" ; whereas EVERYMAN in the Kingdom of Nowhere can SEE that it is Flat. But the King's Economist Argued that though the Hawkers had to Charge their Customers, as Before, a Price for All their Goods, Sufficient to Cover the £25 Annual Hire of

the Handcarts, and Sufficient to leave themselves what they called "A Living Wage"—this being, in the Mouths of Some of them, £500 a year, and, in the Mouths of Other Some, £50—they Charged No More Now, After these Annual Fines were Levied for the Right to Anchor their Shops Along the Highways. Indeed, it was found that goods were Often *Rather Cheaper* when Bought from the Shrewd Hawker who Paid £50 a year for the Central Site, than when Bought from the More Dilatory Shopkeepers of the Outer Circle.

And thus things went on in the City of Good Intentions ; and the Hawkers Prospered, and the Rates and other Taxes were Reduced from year to year, through the growth in the Revenue received in the form of Annual Fines. But later, in this Kingdom of Nowhere, there followed a period of Anarchy and Confusion, concerning which the Historical Records are Scanty and Incomplete. And when Order came again, the Historians noted, with a Mild Surprise, and with many a Wild Surmise as to the Cause thereof, that no longer were the Fines paid by the Hawkers to the Officials of the Corporation, but, instead, to an Unofficial Class of Wealthy Folk, who called themselves "The Ground Landlords." How this came about there was Much Disputing. Some Historians asserted that the Right to receive the Fines was granted by the City Fathers to the Ground Landlords (many of whom were Themselves Members of the Corporation) in return for *Public Service*, in Equipping Special Contingents to Ward Off the Attacks of Pirates, or in Watching, like Shepherds, over the Morals of the Common Herd (In the former case, the Registers of the Corporation,

so the Research Students declared, called the Annual Fines by the name of Feudal Dues ; and in the latter, by the name of Tithe.) Others, however, averred that the Ground Landlords Themselves were a Species of Pirates, being Alien Invaders who, in the Period of Confusion, descended as Conquerors upon the Kingdom of Nowhere from the Far Land of Normandie (Lat. 150° N., Long. 440° W.) But All This Disputing, both the "Radds" and the "Taories"¹ agreed, was about a point of Merely Antiquarian Interest. For Many Good Citizens, who had amassed wealth by Manufacture and by Trade, had Bought from the Original Ground Landlords the Right to receive the Fines ; and so whether the Original Ground Landlords were the State's Best Friends or its Worst Enemies matters little (they said), for we cannot Now get back for the Corporation the Annual Revenue of Fines, save by Purchase from the Landlords : we cannot Confiscate Wealth that in many cases is the Fruit of Social Service, performed in the Workshop, on the Farm, or at the Wharves. But—as a Certain Seer (or as the Taories Surnamed him "the Uncertain See-er") from the Wellch Borders pointed out—if the Hawkers should In Future be in a

¹ Also known, according to Dean Swift, the Professor of Antiquities, as the "Big-Endians" and the "Little-Endians"—from the Diverse Modes, it is said, in which they dealt with a Political Implement called a "Wedge." The Radds were chiefly Migrants to the Mill Country of the Middle North, Students of Metapheesics in the Highlands, and Minstrels who played symphonies on Instruments called "Consonants" among the Cambrian Hills. The Taories mostly stayed in the South and sold goods to the *Samurai*, or were dotted about the land in Fortresses called "Kathedralcities," which they held with Much Pertinacity against the Machinations of the Radds.

position to pay Heavier Fines than Before—and this seemed a Not Unlikely Thing, for the City was Growing Apace and the Crowds that thronged the Thoroughfares to buy became every year *denser* and More Prosperous—the City Fathers might With Reason Confiscate these Additions to the Earlier Annual Fines; and to these Additional Fines the Bard Poetically gave the name of “Unearned Increments,” and the Songs he Composed about them sounded Full Sweetly when played on the Instruments called “Consonants” by the Other Minstrels of the Welch Borders. And this Advice, in some Small Measure, the City Fathers adopted ; with the Result that the Ground Landlords Gnashed their Teeth, and Wept ; and Ceased Subscribing to the School Fund and the Hospitals. But the Populace Followed after the Bard, and greeted ALL his Songs with Tumultuous Applause. “For” (said they)

“He sings of what the World will be,
When the years have died away.”

Now this name of “Unearned Increments” given to these Additional Fines by the Welch Seer was declared by the King’s Economist to be Not a Scientific Appellation, But a Poetic Licence, *to wit*, a Terminological Inexactitude. For All Wealth, as all wise Authors are agreed, must be Earned by *Some One*, either in the Sweat of his Brow, or in the Agony of the Brain, or by his Self-Restraint in Not Consuming what these Other Folk Require. But while Some Few of the Increments are earned by the Landlords Themselves, Some are Created by the Hawkers (or, as Most Writers in the Post-Diluvian Period prefer to call them, “The Tenants”) through the Sagacious Construc-

tional Changes they make in the Architecture of their Handcarts and through the building-up of Special Fields of Custom (called "Good Will," and possessing a Right Good Market Value—*sometimes*) ; while Yet Others are Due to the Community-At-Large Actively Pursuing its Manifold Lines of Activity In and About the Neighbourhood, and thus building up the Prosperity of all Hawkers of Goods and Services. And thus it was seen to be Incumbent on the Sagacious Fathers of the City, who Twisted their Beards Mightily Over the Problem, to Act Warily, leaving to the Landlord what the Landlord had created, giving to the Tenant what the Tenant had earned, and Confiscating for the Community *Only* what the Community Itself Produced. But neither Ground Landlord nor Tenant (it was Sagely pointed out) should have a Right to Compensation for "Unearned Decrements"—a New Tune this, Invented by the Taories,—any more than a Physician could claim it for a Falling Off in His Income through the Community Growing More Healthy in their Manner of Living and Buying Only Medicaments that were Advertised on the Hoardings, or the Schoolmaster, because the Schoolboys of the City became so Eagerly Industrious and likewise So Intelligent (through the Fruitful Application of the New Nostrum called "Eugenics") that they could Learn All Their Lessons Without Teaching At Home.

This then is what happened in the Kingdom of Nowhere. And by studying the history of that distracted kingdom we can perhaps see more clearly what happens here in Merrie England.

For the use of shop, mill, and factory, residential

house or farm, theatre, banker's office, or hotel, the rents charged may be split up into two parts. Of these, one, called Building Rent, enters into and forms a part of the cost of all goods and services that shopkeepers, farmers, manufacturers, bankers, and other caterers supply; and one, called Site Rent (or "true Economic Rent")—appearing only in certain situations, and not everywhere—is a *consequence* and not a *cause* of changes in the value of the output of goods and services supplied. So, if the State taxes all site rents, even to 100 per cent., our goods would not cost us a penny the more. Nor, if existing tenants were forbidden to pay site rents, would they be foolish enough to charge us a penny the less, being themselves now their own ground landlords, and receiving two incomes—one of rent, paid by themselves to themselves, and one as business managers, which they had already endeavoured to make as large as possible by charging what they considered the most profitable prices for their goods or services.¹

In the case of farming land and garden land, no doubt, it is the *fertility* of the soil that in nearly all cases counts for more than mere situation; though the most fertile soil in the wilds of Siberia is likely to yield less rent than the most barren acres in Essex or Kent. But situation and fertility are close akin. We may, without outrageous use of metaphor, speak of the wheat sown in fertile

¹ "Not one penny the less" is the phrase used above; but the words "on the average" should be appended. For such a confiscatory redistribution of spending power would increase the demand for some goods and decrease the demand for others, with irregular and incalculable results, some goods costing us a trifle more than previously, while others would be a little cheapened.

land as being *nearer* the market than that sown among thorns and thistles (fewer of the grains being lost on their way through being taken as payment for the services of carriers, etc., on their journey from underground to the flour-mills). Or, in talking of shops, we can speak of the *greater fertility* of shops in the Central Area as compared with the scanty crops of sales that can be grown on shop-counters in the Outer Circle.

Here endeth our treatment of Rent. The chapter is made shorter than the other chapters—because the writer knows, from sore experience, that not many will accept its teaching without demur. The Theorem of Rent is, in fact, almost as difficult for Economists to *prove*, to the satisfaction of all but the professional student, as the dictum of those foolhardy geometricians who assert that a square drawn on the long side of a square-cornered triangle must be always exactly the same size as the squares on the other two sides added together. ("How can they possibly know? They haven't measured them all. Besides they couldn't; for there often isn't room to draw any square there at all.") The author prefers, if so he may, to retain the confidence of his readers by writing little on a subject on which he knows that every busy man on the 'bus knows that he knows far more than all the foolish Academic Economists who sleep their lazy lives away upon the shadowed banks of Cam and Cher.

CHAPTER VI

PATRON, RULE-MAKER AND REFEREE

Folk say, a wizard to a northern king
At Christmastide such wondrous things did show,
That through one window men beheld the spring,
And through another saw the summer glow,
And through a third the fruited vines arow,
While still, unheard, but in its wonted way,
Piped the drear wind of that December day.

So with this Earthly Paradise it is,
If ye will read aright, and pardon me,
Who strive to build a shadowy isle of bliss
Midmost the beating of the steely sea,
Where tossed about all hearts of men must be ;
Whose ravening monsters mighty men shall slay,
Not the poor singer of an empty day.

WILLIAM MORRIS.

IN the Game of Life the State is the patron, the rule-maker, the stake-holder, the supervisor of the ambulance department, and the referee.

The State performs all these functions simultaneously ; with the consequence that spectators in the grand-stand, even if they keep very wide-awake indeed, find the game at times rather bewildering to follow.

First of all let us glance at the functions of the State as trainer of the new recruits at the game.

In those far-off shadowy days, when the world was very much more juvenile and not yet accustomed to having everything done for it, grown-up fashion, by machinery, practically every novice at

the game had to pick up the tricks of his trade in one and the same way. He was assigned to an individual trainer, by a procedure called "apprenticeship"; and in his new master's house he passed some seven years of hobbledyhoyhood, receiving board and lodging, instruction in his chosen "craft," and such parental control and supervision in the ordinary business of life as his adopted father might think desirable. The custom of India is still very largely the same as this, but with the added restriction that the novice can only choose his father's occupation or that of some allied occupation practised by the members of a more or less extensive religious family called the "Caste"—a principle that must lead to disastrous results when there is a falling off in the demand for the kinds of services rendered by the members of the Caste, especially as the Caste is often the only mutual-insurance and poor-relief institution on which the Indian depends in periods of distress.

The apprentice was expected in the course of his seven years' service to learn the *whole* of an ordinary craft—leather-working, iron-working, or whatever it might be. Towards the end of his seven years he would perhaps receive some small weekly payment for his work, much as boys receive pocket-money from their parents. When his apprenticeship was finished he would become a "journeyman" working for wages; and later perhaps become a "master-craftsman" having journeymen and apprentices working under him. Such was the artisan's career in the old-fashioned world.

But when the greater part of the world's manufacturing products ceased to be simple *manu-facta*

(hand-made goods) but came instead to be turned out with the help of machinery in great mills and factories, much of this earlier custom died away. No longer does the ordinary youth set out, like Alfred the Great, to take "all knowledge as his Province." No longer does he wish to master the whole of his trade. Instead, he goes into a factory where he is at once set to perform some necessary task, so simple that he can master it in a few days or even hours ; and thus he becomes at once a wage-earner. The old-fashioned apprentice was a learner, who did not earn ; the boy in a modern factory is an earner, who is seldom wise enough, even when he has the opportunity, to look about him and learn, while he is earning. Even in the trades—such as tailoring and cabinet-making—which are still carried on in the more old-fashioned way with relatively little machinery, and where it is still common for the captains of industry to rise by easy stages from the ranks of the apprenticed learners, it is not very usual, except perhaps in small country towns, for the workers to learn more than one or two parts of the trade. (It is frequently noted in London workshops that the foremen are all from the provinces.) Only in those occupations where rather more skill than the average is required, such as engineering and optical instrument making, do we still find boys commonly beginning as apprentices ; paying a " premium," often, for the instruction they are supposed to receive and to cover the cost of the material they damage in learning ; instead of commencing at once to earn ; and it is no longer the custom in such cases for the apprentice to live like an adopted son in his master's house.

But some kind of training is still necessary before boys can become earners. The game of life is not so simple that one can become a successful player from the very start. Under the older conditions, the laws of the country and the custom of each trade made apprenticeship practically compulsory. But apprenticeship died away—or nearly so—when there was no longer need for the majority of factory hands to do more than help make a part of a part of a thing. To serve seven years without earning came to seem an absurd and impossible waste of time, except in the most skilled trades, and in such professions as the doctor's and the architect's, where a long and expensive training is still as necessary as ever. In one case, however,—that of schoolmastering (long the refuge of those who failed in every line of life that required common-sense or honesty or energy), the opposite process is taking place ; and a real apprenticeship is coming to be treated as necessary—almost as if schoolmastering—a mere matter of developing brain and character—could not be acquired off-hand, like pick and shovel work. The Chairman of the West Ham Council's Education Committee, Mr. W. R. Hughes, M.A., describing the curriculum of the elementary school-master or mistress in January, 1914, writes : “ This rather remarkable fact may be emphasised, that if one of our boys or girls wishes to become a teacher, a decision must be made at *eleven years of age*, or the door will in all probability be effectually barred for ever.”

In view, however, of the more general phenomenon of the decay of apprenticeship, the laws had to be recast. Instead of each boy finding an adopted father who would train him both in the

way to earn and the way to live, the State has stepped in, and offers to provide free training (machine-made, and nearly as cheap as machine-made boots) for all. This is the meaning of our system of schools. Few boys are now expected to be trained thoroughly in the use of many different materials, so as to become (say) all-round carpenters or all-round leather-workers. (Farm boys are an exception, because they need to learn, and learn early, how to deal with animals of very different types and tempers. School-attendance laws take this into account and differentiate between the town boy and the country boy.) What now is needed in the world of business, in the shop, the counting-house and the factory, is quickness, neatness, regularity, readiness to obey, industry, common sense, and at least a little knowledge of reading, writing, and arithmetic. These are what our elementary schools aim at supplying to millions of children at the expense of the community, instead of separate master-craftsmen supplying a special training to single learners. One result of this change (combined with the general improvement in methods of production) is that boys within a few years of leaving school may now often be found earning more, being able, that is, to buy with their wages more of the products of other workers' labour, than most adult wage-earners of the same class could procure a century ago.

The process, as now carried on, involves at times, no doubt, in the case of the human boy, the crushing out of many equally attractive and possibly higher qualities—such qualities as we desire and admire in a friend, though we prefer in our servants these machine-made virtues of the education factory,—

our servants being, of course, the banker and the lawyer, the butcher and the baker, the policeman and the postman, and all mankind (in short) with whom we come into economic relationships. This the less mechanical among our educationists are for ever deplored. And the poet entering the class-room of a school of a type that we hope is now rapidly becoming obsolescent, and noting the dreary, devitalising environment—

“ Two and two are four
Three and three are six ”—

turns aside with instinctive shrinking to a memory picture of the country-side—

“ Where nothing is added up,
Yet, somehow, growth takes place ;
Where a yellow buttercup
Turns into a fairy’s face.”

Boys who think about their future will not, of course, be content with receiving from the community this small (though very pleasant) start. But those whose parents are hard pressed by circumstances—and those who have not been warned by teachers and friends to look ahead, take work that brings in a little money directly they leave school, without asking themselves whether they will be learning anything that will enable them to earn something like a man’s wage when they are grown men and desirous of marrying. Multitudes of boys drift, without thinking, or watching the set of currents, into Sargasso Seas of hopelessness and incapacity—what are more commonly called “ blind-alley ” occupations. From the age of fourteen to the age of twenty they are growing physically stronger, while working as van-boys or as messengers ; but they are forgetting

all that they learned at school, and not learning how to fit themselves successfully for the business of life in later years. At about the age of twenty they find that they are no longer wanted. They lose their jobs, and for the rest of their lives are badly paid "casual" labourers, getting a little work now and a little then—now at the Docks, now outside the railway station, now keeping an eye open for the police to oblige mine host of the Dew Drop Inn—but never finding permanent means of earning regularly. And soon, they tend to lose the willingness to work. We all do that. It's just that old Original Human Nature, which the factory system had drilled out of us, returning in double measure, and leading us to believe what we believed in the jolly days of childhood,—that the only really sensible life is that of the African Negro, basking in the sun and eating watermelons.

Our schoolboys who have been tempted by high preliminary earnings have walked down a blind alley that ends against a brick wall at the twentieth milestone, instead of finding themselves on any of the breezy open roads that lead to success in life. Then perhaps they light-heartedly marry, as they light-heartedly began their short career as earners, never asking themselves whether they can give their children a fair start in life; and the children—endless children—ill-fed, ill-trained,—not only do not get a fair chance themselves, but make life a little harder for all around them. And the girls who marry these men are accomplices in it all.

This takes us by a natural transition to the ambulance department of the State's activity. Much here has been done—factory acts, minimum wage laws for "sweated" trades, insurance acts,

miners' eight hour acts, workmen's compensation acts, and so forth. But much still remains to be done, as the study of such books as Miss Goldmark's *Fatigue and Efficiency* or of Mr. Bray's *Boy Labour and Apprenticeship* (to mention only two out of a multitude) will only too clearly show. The State steps in, not merely to make the beginnings of our earning life easier, but to reduce its hardships at every stage, and finally to ensure, by Old Age Pensions, at least a bare subsistence in its closing years. More and more we have come to recognise that the wealth we all enjoy is produced by all (or nearly all) in common, and that it is largely a series of curious accidents that determines what each man's share is to be. We have outgrown the old-fashioned "individualism" for which men like Bright and Gladstone fought, under which it was considered the only fair and sensible rule for regulating the distribution of the medals and cups for good play, that they must all go to the men who happen to kick the goals. (That rule wasn't invented by the back-line players in the team.)

The State is perpetually revising the regulations in accordance with which the game has to be played. This is especially true with regard to the ambulance department.

In laying down new regulations a wise Government must keep before it several broad principles,—principles which sound sufficiently simple when briefly enunciated, but which are often exceedingly difficult of application; for a wise application of them must be based on a deep knowledge of the characteristics of the people for whose benefit the new measures are proposed, while it may happen also that the different principles will at

times appear to clash,—in which case it is seldom easy to decide which of two conflicting principles should outweigh the other.

The objects for which the State intervenes in the ordinary business of life are usually—if the State is wide awake and not sleep-walking—either (1) to set free energies which would otherwise be restrained by the cramping influences of bad social customs or of the individual's straitened circumstances, and so increase the *aggregate* wealth-producing power of the nation; or (2) to restrain the actions of individuals and classes in such ways as to make the *division* of the aggregate wealth more equitable. On the whole, measures which tend to bring about by gradual stages the latter result may be expected also to further the former aim; but if the changes in this direction—changes aiming at producing a greater equalisation either of wealth itself or of the opportunities of attaining wealth—are introduced and enforced with reckless rapidity (the wealth of the wealthiest being over-hastily confiscated by the tax-gatherer in order to promote the welfare of the poor) the aggregate wealth is likely rather to decline than to advance. For if “credit” is in such ways gravely shaken, the stimulus both to saving and to business enterprise on the part of the better-off sections may be expected to be weakened; and if also the self-respecting qualities of the lower half of the nation are simultaneously sapped by expectations of having the State do for individuals “paternally” what they might more satisfactorily do for themselves, the loss of wealth-producing power is intensified. Even from the narrower economic point of view no class gets more than a transitory benefit, since equalisation

of each to each on a level of uniform poverty is no more satisfactory than the retention of gross inequalities with a higher general average of prosperity ; while the broader, moral results are distinctly bad, and political life suffers in quality through the growth of discontent on the one hand and of a spirit of gambling greed on the other. In such matters we can apply with little hesitation the proverb, "the more the haste, the less the speed."

As instances of the difficulty of applying such principles we may take the granting of Old Age Pensions and the feeding of necessitous school-children.

When old age pensions were first advocated, many critics protested that their institution would discourage thrift. On the other hand it may perhaps equally strongly be urged that they are likely in the long run to *encourage* thrift. For a man who is struggling along on, say, 40s. a week, would be foolish indeed if he stinted himself of every six-penny enjoyment, on the "off chance" of his having the misfortune (the word is hardly too strong) to live to be an old man, in order to be able to provide himself in old age with a continuance of the barest necessities of existence. But if the barest needs of life are rendered secure by the action of the State, then there is a clear incentive to economise a little, in order to make old age resemble a little more closely *a life*, and a little less closely a mere existence.

Similarly with the feeding of school-children. We have decided, for our own sakes, if not for the children's, that *all* children *must* have some preliminary training. (We may quite reasonably help

in educating our improvident neighbour's children from purely selfish motives, even though we are personally indifferent to our neighbour's individual welfare—except in so far as his prosperity has a reflected influence on our own—and may positively detest his brood of noisy, stone-throwing brats. For it is always to our interest that our neighbours' children should grow up to be efficient workers and reasonable citizens, even if we prefer to remain inefficient and unreasonable ourselves.) But we find ourselves confronted by a problem arising out of the presence in our schools of insufficiently nourished pupils. Not only do such children gain nothing from their compulsory attendance—one's brain cannot digest ideas when one's stomach is clamouring for food to digest instead—but their health and future efficiency are directly damaged by our compelling them to disobey the healthy demands of Nature, through their being ordered to sit still and strain their attention wearily upon dull, uninteresting, and tiring subjects. We must, therefore, either bid them stay away, or else supply what the parents should have supplied. We have decided to feed them, and as far as practicable collect the cost from the parents. Now if this free feeding "pauperises" both children and parents, by accustoming them to dependence on the State rather than on mutual support, it is obviously not a very desirable result. And this would perhaps be the most conspicuous result if the food were, so to speak, thrown at them (as one throws buns at the bears in the Zoo) in the form of clearly marked charitable doles. If, however, as Mr. Sidney Webb epigrammatically puts it, we thoughtfully add another lesson to the school time-table—"12 to 1:

table manners: materials provided"—and are careful to make the whole procedure in this and similar matters as civilising as we can, it is possible that instead of increased pauperisation following on these kinds of State action, a heightened standard of self-respect may even emerge, and these children, on growing in their turn to be the parents of another generation, may prove better parents than their predecessors.

Even such measures as State Insurance against sickness may similarly be defended on non-philanthropic grounds. Anything that prevents ailing workmen from permanently having their efficiency lowered, through their neglect of medical advice or dental treatment (owing to fear of incurring expense), and through the spread of ailments from workman to workman in a crowded factory, may quite well tend, it may be argued, to increase in the long run the efficiency of the workers, decrease the number of industrial accidents, and in consequence lower for the employer the costs of production in spite of the off-setting waste of time due to malingering.

But all such schemes call for "money." Where is this money to come from? Governments seldom own extensive farms or numerous factories which could produce the wealth needed for such purposes. And in spite of the many strong arguments adduced by shrewd, disinterested writers on Socialism, we still hesitate, and hesitate with very good reason, at every proposal that the State or the municipality should take over any new industrial enterprise. We have seen how the co-operative workshop fails. The establishments of municipal baths, tramways, gas-works, etc., may perhaps be described as a

form of compulsory co-operation. The ratepayers are involuntary shareholders in the enterprise; and if it is decided to sell the product or service "at cost," they have been compelled to invest in an enterprise of the "heads-I-win—tails-you-lose" type. They cannot hope for profits to reduce the rates, and the rates may have to be increased to make up unanticipated deficits. And so the Englishman shrinks from advocating State (or municipal) ownership, and anything more than a very limited measure of State control, in the case of any enterprises of a *competitive* kind, unless there is some overwhelming reason in favour of so doing, owing to the significance of the service in its relation to questions of life and health (e.g., a healthy milk supply or water supply, or a tram service that enables the population to spread out more healthily into the suburbs). On the whole, in spite of the steady growth of State and municipal enterprise in services of a monopoly character, the bulk of Englishmen seem to have made up their minds that the State has enough work on its hands in acting as trainer, adviser, umpire, rule-maker, etc., without taking a turn in the game as a player as well. To some extent their views have been modified by five years of State control over many industries, due to war needs; but the extent of this modification cannot as yet be easily gauged.

Yet the State must in some way get hold of the wealth that it arranges to devote to education, old age pensions, workmen's insurance, and so forth. Unless it turns Socialist and produces the wealth itself, it must take it, in accordance with some scheme or other, from all who share in the work of production—from those who labour with

their hands, from those who supply ideas, from those who save. (The mere landholder—the landholder of theory who receives rents and does nothing else—takes his share, in more irregular fashion, from the same sources. In taxing him the State takes part of what he has taken from the active members of the community.) All must be made to contribute; and these contributions, resembling in some ways, but not in all, the voluntary subscriptions paid to private clubs by their members, take for the most part the form of rates and taxes, including of course customs duties. (Relatively trivial amounts come from such sources as dividends from Suez Canal shares, returns from Crown lands, treasure trove, intestate estates for which no satisfactory claimants appear, and fines for breaches of the law.)

So Governments have to decide not merely on what different objects—army and navy, police, education, etc.—to spend, and how much on each, but also to decide how most equitably to distribute the burden of the contributions and how most economically to collect them. Every country in the world has its own special plan of gathering in the necessary funds. What a far-sighted Government aims at is to select those forms of taxes that will cost little to collect (e.g. not customs duties in cases where it is easy and profitable to smuggle) and which will interfere as little as possible with the production of further wealth (e.g., not customs duties on imported raw materials like cotton and iron ore); taxes which will cause as little grumbling as possible (e.g. not taxes paid at every purchase made at a shop's counter); taxes which do not seem specially unfair to any section of the club

members, and therefore do not provoke organised "passive resistance."

The different members of any club are certain to have very different ideas as to the best ways of utilising the joint funds, though all of them will be agreed that it is advisable to keep the rates of subscription as low as is compatible with the average member's view of the satisfactory working of the club. Those who want the expenditure to run in one direction will always grumble when much is spent on objects that do not interest them. Such conflicts of opinion make up a large part of the Game of Politics in the club that we call the United Kingdom.

Some of the members are perpetually asking that large amounts should be spent on maintaining a vast army and navy, in order that we may all be able to go on playing our own game without fear of interference from the members of other clubs. These people are always inclined to grumble when new taxes are being raised to provide education or old-age pensions. Others are always asking for more to be spent on training institutions of all sorts (elementary schools, continuation schools, technical schools, universities for experimental work), and also on the ambulance department (destruction of slums, inspection of food, free dentistry for children, hospitals, sickness and unemployment insurance) in order that the great mass of the players may be enabled to play the game better and more continuously. They believe that this will cause more wealth to be produced, and that if more be earned by every one, much more can be paid in taxes without the nation feeling itself to be growing poorer.

We have touched on the relations of the State to Labour. Government also attempts in various ways to encourage saving and business enterprise —the two other important “factors of production” (p. 49).

To encourage saving, and the use of saved wealth in industry, the State, besides taking over small people's savings in the Post Office Savings Bank and finding a use for them, controls by legislation the management of the banks and companies that wish to borrow our savings. One of the most beneficent changes in economic organisation that has helped forward the growth of our prosperity in the last century has been the passing of the laws that govern the formation and activities of joint stock companies. (Wherever you see the term “Limited” or “Ltd.” added to the name of a business, that business is a joint stock company.) Such companies may be formed by hundreds or by thousands of persons subscribing small sums and becoming “shareholders” in the enterprise, receiving a share of the joint profits (if any) in the form of dividends, distributed among the members in proportion to the number of shares each holds. If a shareholder changes his mind and wants his money back for other purposes, he is generally able to sell his shares to a substitute whose name now replaces his on the company's register of shareholders; and, unlike a member of an ordinary private partnership, he can do this without consultation with the other members. He does not always, of course, receive as much as he subscribed or paid for his shares. (The price of a share, apart from speculative influences due to Stock Exchange manipulation, should depend on the amount,

the regularity, and the permanence of the anticipated dividend per share,—much as the commercial value of land depends on estimates of future rents, and the “good-will” of a business on estimates of future profits. It has no relation to the “nominal” value of the share—whether, that is, the share is *called* a £1 share or a £1000 share.) The liability of a shareholder to make good any deficiencies if the company slips into difficulties, unlike the liability of a partner in an ordinary partnership, is limited to a definite amount per share. In the case of a “fully paid share” (which term, by the way, does not imply that anything whatever has actually been subscribed or paid by any one to the company) the liability is *nil*. In the case of English banking shares the shareholders’ liabilities amount usually to several times the market value of the shares. (For further study of this subject the reader should turn to Mr. Hartley Withers’ well-informed and most amusing book, “Stocks and Shares.”)

This limitation of liability enables the ordinary busy man to invest, without risk of ruin, in businesses the inner working of which remains a mystery to him. Incidentally it leads to a good deal of waste of the nation’s savings through the investor being cajoled into subscribing to schemes out of which only the company promoter reaps a benefit. But this evil is outweighed by the opportunities that it offers for the promotion of risky new ventures (development of oil-fields, rubber plantations, new patents, etc.), a certain proportion of which succeed and recoup the nation for its losses on the blundering speculations.¹ It is thus that much of our economic progress is made.

¹ Many hasty critics confuse “speculation” (which,

We may notice, also, how the State deals with the players who meet with failure. Its aim is to prevent them losing heart and ceasing to use such skill and energy as they possess. The courts of bankruptcy take over the whole of the unsuccessful player's property—excepting such items as may be necessary to enable him to make some sort of fresh beginning—and distribute it among the creditors in proportion to the amounts owing to each. The bankrupt is then set free from his past financial obligations. If it were not for this, it would seldom be worth while for a man heavily laden with debts to make the best use of his earning powers. Every trifle accumulated would be liable to be swept away by his importunate creditors. "Why, then," he would ask himself, "go on toiling for others?"

On the whole, the bankruptcy principle (though probably requiring many modifications in its detailed application) undoubtedly works advantageously; in spite of the fact that it is misused by rogues to the detriment of the community,

properly speaking, means "forecasting" future developments) with gambling; and it is certainly often a very difficult matter to distinguish between them in practice. Gambling is trusting to chance, without careful reasoning about probabilities. This the State generally aims at discouraging. For those who acquire the gambling habit are likely to give less thought to the socially useful aspects of the game of life than they otherwise might. Instead of playing the game carefully and making use of every opportunity of bettering himself in little ways, the gambler is always dreaming of sudden great gains, and is likely, through a natural confusion between the sordid realities of the drab present and the glowing prospects of a golden future, to live wastefully and extravagantly. This, of course, is socially harmful.

even as the facilities for company promoting are misused by buccaneers of a more ambitious type.

The establishing of a system of patents and copyrights is another method by which progress is encouraged. When a new industrial device is suggested, it is rarely the case that business leaders can feel confident of the commercial value of the suggested improvement, while the preliminary costs of handling a new invention may be considerable. They naturally hesitate about incurring such preliminary costs (establishing the necessary plant, trying experimental modifications, marketing, advertising) if their rivals are free to copy them immediately the invention in its final form proves a clear success. Without the protection of patent laws each would be likely to wait until one of the others had taken the plunge. Patent and copyright laws give the patent-holder or the publisher of a book the power to charge monopoly prices for a stated period of years, by forbidding others to produce similar commodities in competition against him. Patented articles are therefore likely to be sold at prices considerably above costs of production. But though we are always combating monopolies when they seem to serve no adequate social good (e.g., many of the American Trusts) we hold that it is as a general rule well worth while to allow the patent-holder to reap a temporary monopolist's profit at our expense with a view to encouraging business men to develop new ideas boldly and promptly; and at the same time we give some consideration to the inventor's or author's social deserts. (It is, of course, grotesque to argue, as Mark Twain has often seriously argued, that the author's "right" to monopoly profits is a natural

property right, which it is robbery on the part of the State to limit in any way. A copyright or patent right is a particularly artificial outcome of the State's benevolence towards the author or inventor. It would have disastrous effects on progress, intellectual or economic, to grant such rights in perpetuity.)

Many more ways of helping the players in the game are always being advocated by those who take part in political life ; suggestions for improvements in the rules are perpetually being brought forward, in parliament, in the press, in the pulpit ; and, it is to be hoped, will continue to be brought forward. Industrial organisation is continually altering ; and legislation must move steadily forward in order to keep in touch with its new forms. There is always room for experimenting with new schemes. For there are always great numbers in the community who do not get reasonable opportunities of using their powers to the full ; and, merely as a business proposition, it is worth our while taking trouble in order to create opportunities for them. The whole nation loses when any particular group of players is handicapped by circumstances. What is harmful to one group is generally harmful to the club as a whole, and what is helpful to any one set is helpful to the whole.

Even as between different nations this is usually true. We often find writers (otherwise very sensible people) talking as if countries like England and Germany were *enemies in business*, and as if one could not gain without the other losing. But a little thought will show that if the Germans become richer they are likely to purchase larger quantities of English goods and services, and thus

give more opportunities of prosperity to English workers ; or, if they buy more of French goods instead, they foster the prosperity of France, and Frenchmen may be expected to buy more from England. Of course the makers of steel goods in Sheffield or Birmingham are the rivals of the makers of steel goods in Germany, and may be expected to gain if the German steel-workers are injured (by war or in other ways)—provided the rest of the German nation remains as prosperous as before. But they do not gain by the German ship-builders or the German machine-makers being injured. If these are rendered poorer (by war or in other ways) there is less chance of prosperity for the English steel-workers, even if these German firms do not themselves buy English steel products ; for if they buy less Belgian steel than before, there is a likelihood of more Belgian steel being forced on the English market ("dumped") at exceptionally low prices.

Every business man wants his customers to be as prosperous as possible, whatever he may wish about his rivals ; and if we average out the cases of all English business men, they would almost certainly be found to have more customers apiece in Germany than rivals.

No doubt these considerations require serious modification if there is a grave standing menace of war with the rival nation ; and the absence of this menace in the case of Canada and the United States of America may account for the relative unimportance of considerations of hostile rivalry in the Englishman's attitude towards Canadian and American prosperity. In this connection, however, it is worth bearing in mind that if the German is

prospering, if he has many speculative irons in the fire, if he has given many hostages to fortune in the shape of partially developed enterprises in distant parts of the world, he is less likely to risk his prosperity by plunging again into war. Well-to-do citizens seldom take to burglary and highway robbery. A well-to-do nation, provided the real wishes of the community control its official actions, is less likely than enviously backward nations to turn to war as a remedy for grievances. The sensible thing for Englishmen to wish with regard to Continental powers would seem to be that they should grow steadily in prosperity, should find themselves more and more intricately entangled in the world's net of banking and investment operations, and that their peoples should acquire fuller and fuller control of the machinery of government. A rich nation is a more dangerous enemy in war than a poor nation; but a rich nation, if self-governing, enters upon a great war with more reluctance than a poor one.

So what is true with regard to the best rules for controlling the game of life within the club that we call the United Kingdom is also true, with very few exceptions, in the great loose federation of clubs—ever becoming more closely knit by new business ties—that is constituted by all the civilised races of the world together.

EPILOGUE

THIS then constitutes our introduction to the heartless subject, "the dismal science," which old-fashioned people called Political Economy and new-fangled people call Economics. It is a branch, and by no means the most interesting branch, of the wider subject called Psychology—the science of the behaviour of living things "reacting" to changing "stimuli." The earlier Economists were, so to speak, the tutors of statesmen and princes, giving *advice* on questions of taxes, tariffs, currency regulation, and so forth; and they coined the term "Political Economy" to describe their volumes of precepts and exhortation. ("Economy," by derivation from the Greek, is "the management of a household"; "Political Economy" meant the management of the State.) But presently the Economist grew tired of the courtly task of tutoring rulers. He wearied of perpetually making respectful remarks to "the King upon the *Guddee*," and came down for a change to chat with "the beggar at the gate." He found the beggar, and the artisan, and the housewife more interesting company, and often more intelligent reasoners, than the exalted folk whom he had previously been attempting (not very successfully) to convert to his own views of truth. He became more and more conscious, as his knowledge of mankind's little ways expanded, of the great limitations to his effective knowledge. He devoted fewer and fewer

pages to giving advice and more and more pages to pointing out the things that he would like to know before expressing opinions on practical issues. He has become, as a rule, an indefatigable and modest truth-seeker, irritating the busy folk who hurry from job to job on the top of the 'bus by his habit of sitting on the fence and replying to political questions by propounding new and often terribly unanswerable ones. He has recently rechristened his subject "Economics," to make it rhyme with the established sciences, Physics, Mathematics, Logic; and has become primarily a scientific enquirer, seizing on facts wherever he can find them. In his work of investigation he is at rather a disadvantage as compared with most scientists, because he can seldom perform crucial experiments. The experimental psychologist can subject people in the laboratory to various forms of sensory stimuli—sights, sounds, pin-pricks, electric shocks—and measure and tabulate results. The social psychologist (the economist) has usually to wait for statesmen, philanthropists, company promoters, to supply the appropriate stimuli; and then observe, as best he can, how his fellow-mortals behave under, say, the pin-pricks of an insurance act, the electric shock of a tariff, and so forth.

"Our ship is anchored safe and sound—the voyage closed and done." But the reader, it is hoped, if he has taken no such trial trip before—it was the novice whom we invited to come with us—will scarcely be content with a single excursion round the world and back again. Luckily there are whole fleets for journeys of this kind, built and perpetually a-building. The economists' shipyards are for ever resounding with the clangour of work-

men, and boat after boat splashes down each year from the builders' slips. For those who wish to take the round trip—the circular tour of the whole economic world—with more time to linger for sightseeing at the various ports than we have been able to arrange—Professor Marshall's *Economics of Industry*, Dr. Cannan's *Wealth*, Professor Hadley's *Economics*, and Mr. P. H. Wicksteed's *The Common Sense of Political Economy*—may be recommended as seaworthy vessels less likely than others to bring him the discomforts incidental to most novices' first ventures away from dry land. For more special excursions there may be mentioned Mr. W. T. Layton's *Capital and Labour*, Sir W. H. Beveridge's *Unemployment*, Mr. Thiselton Mark's *Efficiency Ideals*, Professor Jenks' *The Trust Problem*, and Dr. Cassel's *The Nature and Necessity of Interest*; while for those who will only consent to sail under a captain who cracks jokes and tells breezy stories all the way, there is Mr. Hartley Withers' flotilla, *Stocks and Shares*, *Money Changing*, and *The Meaning of Money*. Another captain, with whom all his passengers speedily find themselves on the friendliest terms, but whom most economists hesitate to consider a full member of the regular service (as he has always his own private notions of the relative importance of the different elements that make up the art of economic navigation and of the best way to take one's latitude and longitude when out of sight of land), is Mr. J. A. Hobson, whose flag flies from a multitude of craft of all shapes and sizes.

These are only a small selection, chosen for the benefit of the untravelled novice. There are multitudes more on which the professional student is for ever embarking, stepping ashore from one,

only to set forth without delay upon another, "once more on his adventure brave and new." For travel of this kind grows in its absorbing interest with each new continent discovered.

"And come I may—but go I must—and if men ask you why,
You may put the blame on the stars and the sun and the
white road and the sky."

Once having begun we can never contentedly "rust unburnished" among the home-staying folk ashore. Always we must follow the flying vision of Truth—regardless alike of the protests and the prejudiced outcries of hide-bound defenders of tyranny-begotten "rights of property" and of tub-thumping advocates of cloud-begotten "inalienable rights of man." There is no end to the material to be studied, no end to the list of possible excursions. But if the novice likes our own method of travelling it is possible that we may organise a second trip on the same lines, and take observations of such things as coins and cheques, bulls and bears, taxes and tariffs. "Round many western islands shall we go, which bards in fealty to Apollo hold." Like most economists, however, the writer prefers not to make any definite prophecies.

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